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NEWS SUMMARY

GENERAL

Health Service pay talks to resume

Leaders of National Health Service trade unions are to be recalled for further pay talks by Social Services Secretary Norman Fowler.

The move followed talks between Mr Fowler and Mr Pat Lowry, chairman of the Advisory, Conciliation and Arbitration Service. Nupe profile, Page 11

Thatcher firm

Premier Margaret Thatcher refused to intervene in the growing railways crisis. Page 11

Tories defy whip

Eleven Tory MPs defied a three-line whip in the Commons. They voted with the Opposition to reject proposals which they say would invest the Common Market with new powers and infringe UK sovereignty further. Opposition motion defeated by 290 votes to 185.

Foot commitment

The Labour Party would fight the next general election on the basis of a unilateralist defence policy and a commitment to EEC withdrawal, Labour leader Michael Foot said. Labour Programme '82, Page 10

Reagan plea

President Reagan appealed to the Soviet Union to join the U.S. in trying to increase their mutual confidence. He asked the UN to support that endeavour. Back Page; Leader Page 22

Blow for Schmidt

Free Democrats in West Germany's Hesse state voted to end alliance with Chancellor Schmidt's Social Democrats and to form a coalition with Christian Democrats after elections this autumn. Page 3

Reform sought

Substantial reforms of the British constitution were called for in a Social Democratic Lawyers Association document. Page 10

SDP difference

The Social Democratic Party leadership contest warmed up when Dr David Owen accused Roy Jenkins of breaking agreed campaign guidelines. Page 10

National Front win

A National Front complaint against a cartoon published in West Indian World, a weekly journal, was upheld by the Press Council.

Inquiry barred

The Commission for Racial Equality cannot conduct a wide-ranging inquiry into the housing policies of a London borough, the Lords ruled. Page 8

Heroin appeal

French secretary Beatrice Saubin, 22, sentenced to death in Penang, Malaysia, for trafficking in heroin worth about £298,000, will appeal against sentence.

World Cup

Austria beat Chile 1-0. Czechoslovakia and Kuwait drew 1-1.

Briefly . . .

Dallas returns to BBC TV in the autumn.

Virginia Wade signed a long-term agreement to be a BBC TV tennis commentator.

Olympic Airways flight crews plan a 48-hour strike at the weekend.

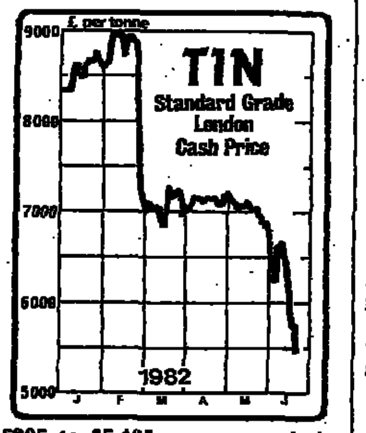
South Korean President Chun Doo-hwan will visit four African states in August.

BUSINESS

Gold off $8.5 in NY; tin hits low

● GOLD fell $11.75 in London to $305.5, its lowest since August 1979. In New York the Comex June close was $308.5 ($317). Page 30

● TIN PRICES fell to five-year lows in London on renewed fears about the International Tin Agreement. Cash tin lost



£295 to £5,465 a tonne and the three months quotation was £345 down at £5,577.5 a tonne. Page 30

● STERLING fell 70 points on the day to close in London at $1.7435, its lowest closing level since September 1977. It rose to DM 4.265 (DM 4.2625), SwFr 3.6875 (SwFr 3.67), FFr 11.8125 (FFr 11.8075) and Y444 (442.75). Its trade-weighted index was 91.2 (91.5). Page 40

● DOLLAR rose to DM 2.445 (DM 2.434), SwFr 2.114 (SwFr 2.0955), a record FFr 6.7775 (FFr 6.745) and Y254.5 (Y252.8). Its trade-weighted index was 120.3 (119.6). Page 40

● UK MONEY SUPPLY: Sterling M3 rose 1.1 per cent in the four weeks to May 19, compared with 0.5 per cent the previous month. Page 8

● EQUITIES were affected by uncertainty over the Falklands and Lebanon, UK pay disputes and rising U.S. interest rates. The FT 30-share index fell 9.1 to close at 559.4, a drop of 34.6 in the last seven trading sessions. Page 39

● GILTS: the Government Securities Index fell 0.34 to 69.31. Page 39

● WALL STREET was 6.47 down at 790.43 near the close. Page 31

● RADICAL CHANGES to allow widespread discussion of tax and expenditure changes before the annual Budget were urged by the all-party Treasury and Civil Service Committee. Back Page

● INDUSTRIAL OUTPUT remains stagnant according to official figures. Back Page

● FRANCE'S biggest union, the CGT, rejected a wages freeze. Back Page; French nationalised steel company Usinor to cut 4,000 jobs, Page 27

● ROYAL DUTCH SHELL has been accused of continuing to ship oil to South Africa despite an Opec ban. Page 7

● LESNEY PRODUCTS' receivers have set up a company called Matchbox Toys to make the Matchbox models range, to assist Lesney's sale as a going concern.

COMPANIES

● INCHCAPE, the merchanting, motor vehicle and insurance group, made taxable profits of £65.69m in the nine months to December 31, compared with £71.07m for the previous year. Page 24; Lex, Back Page

● DAWSON International, the textile group, lifted pre-tax profits to £23.62m (£20.67m) for the year to March 31. Page 24; Lex, Back Page

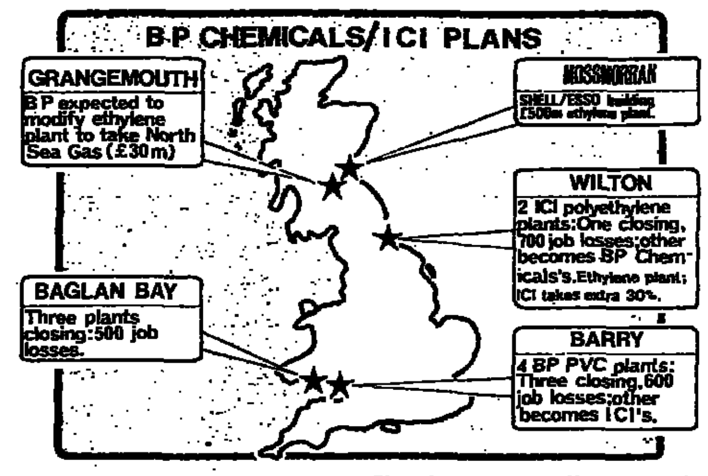
BP and ICI agree to streamline UK plastics operations

BY SUE CAMERON

BP CHEMICALS and Imperial Chemical Industries have reached agreement on a big restructuring for their ailing plastics and petrochemicals businesses in the UK. The deal will mean the closure of seven plants and the loss of 1,800 jobs in South Wales and on Teesside. It is hoped that the restructuring will be completed this summer.

The move came only a week after Shell Chemicals UK made clear that it was planning to shut at least 270,000 tonnes of petrochemicals and plastics capacity, with the loss of 1,000 jobs, at its Carrington complex in Cheshire.

The three UK-based chemicals companies are making heavy losses on their petrochemicals and plastics operations — as are their competitors in continental western Europe. Producers are suffering from the recession and from chronic over-capacity. ICI and BP Chemicals stressed last night that their plan was a bold attempt to streamline their



plastics businesses and to contribute to a rationalisation of the industry in Europe.

The two companies propose to close ageing, inefficient polyethylene and polyvinyl chloride (PVC) plastics plants. They will then swap the remaining, trimmed businesses. BP Chemicals will pull out of the PVC business while ICI will abandon polyethylene production in the UK.

BP Chemicals will bear the brunt of the job losses and plant closures.

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Feature, Page 22; Lex, Back Page

Israel 'considering' U.S. plan for two-day ceasefire

BY NORA BOUSTANY IN BEIRUT

ISRAEL was last night reported to be considering a U.S. plan to halt hostilities in Lebanon for 48 hours so the estimated 6,000 Palestinian guerrillas trapped in West Beirut can lay down their arms.

An Israeli government official refused to confirm or deny the report, which was broadcast on Israel's state radio. The Israeli cabinet met for two hours yesterday to discuss reports by Mr Philip Habib, the U.S. special envoy, on his efforts in Lebanon to find a formula to end the crisis.

Efforts by President Elias Sarkis to draw the major Lebanese political factions into a national salvation committee appeared to have made some progress during the day. Mr Walid Jumblatt, who heads the Leftist National Movement, agreed to meet Mr Habib to explain his accusations that the proposed committee was too heavily weighted in favour of the right-wing Christian forces.

Mr Jumblatt had refused initially to be associated with the committee. He said it stood little chance of making progress while Isreal was able to exert military pressure on its deliberations.

The committee's first task should it be formed, would be to try to deploy the regular Lebanese army in Beirut to avert a Palestinian-Israeli battle there.

Mr Bashir Gemayel, the Phalangist leader, said after talks on forming the committee: "I think it will be possible in the coming hours to have a decision by which, I hope, we can save Beirut from bloodshed and destruction."

The Palestinian guerrilla leadership is understood to be prepared to hand over its heavy weapons to the Lebanese army and leave Lebanon in return for assurances from the U.S. that Israel would not attack it once it had done so.

Mr Yassir Arafat, chairman of the Palestinian Liberation Organisation, was reported to have welcomed the prospect of Lebanese army troops being deployed in West Beirut.

Meanwhile, Palestinian refugee camps on the southern outskirts of Beirut came under heavy shellfire again yesterday as Israel maintained its firm grip around the city.

Artillery exchanges and rocket fire continued most of the day, with the main target appearing to be the Palestinian camp of Bourj al-Brajneh. A fire broke out in the camp and three aircraft belonging to Middle East Airlines were hit at the international airport nearby.

Israel's losses have continued to mount; the army announced last night that 214 of its troops had been killed, 23 were missing and 1,114 had been wounded.

Middle East, Page 4

Pound at five year low against $

BY MAX WILKINSON

THE DOLLAR moved up sharply in London yesterday against all major currencies. The pound fell by just over half a cent against the U.S. currency to close in London at $1.7435, its lowest since September 1977, compared with Wednesday night's London close of $1.7505 and a New York close on Wednesday of $1.75.

Against the D-Mark, the dollar rose by 1.4 pfennig to a London close of DM 2.445, its highest since September last year, although trading was light because a national holiday closed the Frankfurt market.

The dollar also reached a two-year peak against the yen at Y254.50 and its highest since last autumn against the Swiss franc. The dollar's trade-weighted index against a basket of currencies, as measured by the Bank of England, rose 0.7 points to 120.3. This is 11 per cent higher than six months ago.

The strength of the dollar reflected a further rise in dollar interest rates, with the six month Eurodollar rate up ⅝ point yesterday to 15 13/16. This is ⅝ point higher than on Monday.

The rise of dollar interest rates brought out gold sellers and the London gold price fell nearly $11 to $305.5 an ounce.

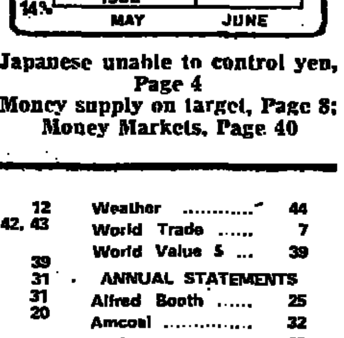
In spite of the rise of the dollar, sterling remained strong against other currencies, rising against the D-Mark and the Swiss franc. Its trade-weighted index against a basket of currencies fell 0.3 points to 91.2, exactly its average for the first three months of this year.

In the UK the three-month interbank rate rose ¼ point to 12⅞ per cent.

Paul Betts writes from New York: Despite a modest weakening in the dollar by mid-session in New York, dealers said

Continued on Back Page

House of Representatives and Senate Republicans agreed a final U.S. budget plan yesterday which allows for a deficit of $103.4bn (£59.3bn) in 1983. This agreement is subject to approval by the Democrats in the House and Senate budget committees and if passed, will end more than four months of deadlock. The accord was reached after meetings designed to bridge differences between the $115.9bn deficit in the Senate proposal and the $99.3bn deficit in the House plan. Page 5



Japanese unable to control yen, Page 4
Money supply on target, Page 8; Money Markets, Page 40

Britain to bypass junta on prisoners

By David Tonge and Andrew Whitley

BRITAIN yesterday decided to try to bypass the junta in Buenos Aires in order to solve the increasingly grave problem caused by the thousands of prisoners it has taken on the Falkland Islands.

General Mario Benjamin Menendez, the Argentine governor on the Falklands, has been asked to contact his opposite number in charge of Argentine operations in the South Atlantic, Admiral Juan Jose Lombardo, to give immediate safe passage to the British ships now being loaded with the prisoners. Argentina is only willing for the prisoners to take a much longer way home via Montevideo.

Before the ships are sent British officials want to be satisfied that they will be allowed into port at Comodoro Rivadavia, the closest major point on the mainland. They will sail without Royal Navy escort.

The British believe there are 10,660 prisoners, Mrs Margaret Thatcher told the Commons yesterday. By last night 5,000 of the junior ranks and those in worst condition had been loaded on to the requisitioned passenger ship, Canberra. Another 1,000 are today to be loaded on to the Norland, the second designated prison ship.

Britain is deeply worried about the problem of sheltering the prisoners from the Antarctic weather of the Falklands. Admiral Sir Terence Lewin, the chief of Defence Staff, yesterday accused the junta of "an incomprehensible lack of interest" in their fate.

On Wednesday night there were reports that rampaging prisoners had broken free and set two buildings alight, but last night British officials insisted it was an isolated incident.

A group of prisoners broke free from their guards as they were being marched to the jetty during the night, for processing and loading into small boats to be taken out to the Canberra, and ran into the town instead. The trouble appears to have been sparked by the separation of some of the Argentine soldiers for continued detention.

British officials said all the prisoners were now under guard at Port Stanley airport. "General Menendez told us he would keep order among his men. If he cannot, we will," one official said firmly.

Britain wishes to send the prisoners to Comodoro Rivadavia, as this is a mere 23-hour journey for the Canberra. But the Argentines have already told the Brazilians who were

Continued on Back Page

Galtieri said to have been overthrown

BY JIMMY BURNS IN BUENOS AIRES

ARGENTINA was in deep political crisis last night as some unofficial news agencies reported that General Leopoldo Galtieri had been overthrown by the armed forces in an apparently bloodless coup.

He was said to have been immediately replaced as commander-in-chief of the army by Gen Constantino Nicolaides, who has the reputation of being a hardline right-winger. The Presidency was left vacant as senior officers of the three services tried to agree on whether to appoint a civilian to the post or to rotate it among the three service chiefs.

If the presidency were to remain with a member of the forces the most senior of the service chiefs, Brig Basilio Lami Dozo, the Air Force commander in chief, would probably take over.

If a civilian were appointed political observers point to the possible naming of Sr Nicanor Costa Mendez, the Foreign Minister, or Sr Rafael Martinez Raymonda of the small conservative Progressive Democratic Party. Sr Martinez Raymonda was among a small group of party leaders who met Gen Alfredo Saint Jean on Wednesday night.

In sharp contrast to the rioting of Tuesday night Buenos Aires remained calm as reports of changes emerged.

The reported ousting of Gen Galtieri comes after agonised discussion among senior military leaders about the terms of the surrender on Monday in Port Stanley and about what to do about hostilities with Britain.

General Galtieri was reported to have moved to Campo de Mayo, the large army barracks about 12 miles north-west of Buenos Aires.

The president had held an all-night meeting with senior army officers at the army headquarters in Buenos Aires.

Divisions within the military have deepened during the week as Argentina tried to formulate a response to Britain's call for an end to all hostilities in the area following the Port Stanley surrender.

Argentine newspapers yesterday reproduced the surrender document signed by General Jeremy Moore, the British commander in the Falklands, and General Mario Benjamin Menendez, his Argentine counterpart, in Port Stanley on Monday. The document was released by the British Ministry of Defence but is still not officially acknowledged in Buenos Aires.

A communique issued late on Wednesday by the Argentine joint chiefs of staff said the ceasefire agreed by Gen Menendez applied "exclusively" to troops under his command. Earlier reports suggested that the Argentine commander had assured Gen Moore that the ceasefire extended to the Argentine mainland forces, and in particular to the air force.

Gen Galtieri, who is army commander-in-chief, is reported to have told a meeting of his cabinet earlier this week that he dissociated himself from Gen Menendez's surrender.

Gen Galtieri's standing in the opinion of the Argentine public has fallen sharply and he is believed to have been trying to appease critics both within and outside the military who hold him responsible for Argentina's defeat in the Falklands.

Speaking from the presidential balcony in the capital Tuesday night, he made no mention of any surrender and said that although the battle for Port Stanley had ended, this did not mean "the end of the struggle."

A number of military officers associated with the Argentine political opposition still believe that an agreement on a total ceasefire could hinder Argentine attempts to win eventual sovereignty over the islands. They believe that any assurances on a ceasefire should be linked directly to negotiations.

The attitude which Argentina should adopt with regard to the prisoners in Port Stanley and the question of a total ceasefire has been the subject of intense debate over the last three days among high-ranking military officers, including representatives of the air force and navy high command.

By yesterday afternoon the positions of the airforce and navy had yet to be clarified, although one newspaper report claimed that 12 senior army officers out of 14 were recommending a total ceasefire. Significantly, the airforce issued a statement yesterday claiming that it had not been consulted by Gen Galtieri about his reported plan to appear on the presidential balcony in the capital on Tuesday night. The appearance was cancelled at the last minute following an outbreak of violent anti-government demonstrations in central Buenos Aires.

Falklands crisis, Page 6; Parliament, Page 10

£ in New York

	June 16	Previous
Spot	$1.7490-7510	$1.7610-7625
1 month	0.34-0.38 pm	0.34-0.39 pm
3 months	1.17-1.22 pm	1.21-1.26 pm
12 months	4.15-4.25 pm	4.15-4.25 pm

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CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Amber Ind	40	+ 6
Caird and Sons	365	+ 65
Staveley Inds	254	+ 8

FALLS

Treas 12¼pc 1986 (£30 pd)	£29¼	— ½
Exchqr 12pc 13-17	£93¼	— ⅜
Alexanders Discount	225	— 10
Bakers Hsld Stores	118	— 16
Barratt Devs	293	— 7
Berisford (S. W.)	129	— 7
British Cmwealth	455	— 13
British Sugar	455	— 15
Caledonia Invs	418	— 7
Cater Allen	300	— 15
Channel Tunnel	123	— 20
Cole Group	89	— 5
Dawson Intnl	125	— 6
Eng China Clays	167	— 4
Extel	325	— 13
Ferranti	715	— 12
Glaxo	691	— 16
Hawker Siddeley	321	— 9
Horizon Travel	195	— 7
Howden Group	148	— 5
Inchcape	270	— 23
London Manchester	230	— 10
Lucas Inds	178	— 6
Minet	204	— 5
Northern Foods	140	— 6
Saga Holidays	130	— 8
Security Centres	139	— 7
Unilever	565	— 15
Union Discount	450	— 10
Shell Transport	404	— 8
Anglo Am Coal	£11¼	— 1
Anglo Am Gold	£27¼	— 1½
Anglo Am Inv Tst	£22¾	— 1
Gold Fields SA	£21¼	— 1
Joburg Cons	£23	— 1
Randfontein Ests	£21¼	— 1

EUROPEAN NEWS

John Wyles reviews the background to Sunday's meeting on decision-making in, and development of, the EEC

Little harmony as Community's old debate continues

ALMOST exactly sixteen and a half years ago, six EEC foreign ministers produced a celebrated "compromise" in Luxembourg which provided a basis for France and its five partners to continue working together within the Community, despite their fundamental differences of view about its future development.

On Sunday their successors, now numbering ten and no less seriously divided, return to Luxembourg to face a similar task.

The parallel cannot be pushed too far. Ministers do not have to entice any member state back into the EEC as they did in January 1966, when France had been absent from the Council of Ministers for six months. They do have to settle whether the 1966 compromise remains the basis for Community decision-making. They also have to consider a broad set of proposals for developing the Community through a "European Act," which confront them all with difficult political choices as old as the Community itself.

In other words, are they to regard the Treaty of Rome as a blueprint for harmonising he conflicting interests and powers of individual governments? Or as a vehicle for steadily subordinating those interests and powers to the political authority of the Community? Are they, indeed, to place under the Community umbrella activities such as security discussions and foreign policy co-ordination which do not feature in the Treaty at all.

Whether or not to creep rather furtively towards more integration is being discussed by ministers in two separate but related forms. Mr Francis Pym, the British Foreign Secretary, is insisting that they first discuss the status of the Luxembourg compromise after last month's majority vote by seven member states to raise EEC farm prices. Then, Britain's attempt to block the vote in line with the compromise by arguing that important national interests were at stake was ignored.

Pledged to re-establish the right of national veto by "one means or another" Mr Pym ought to be able to secure a form of words from a majority of his colleagues re-affirming the principle that a government can still block a Community decision to protect essential national interests. But after the farm price vote neither he nor all his colleagues can ever be absolutely certain that a veto will not again be judged inappropriate and similarly brushed aside.

Not everybody—the Benelux countries and the European Commission, for example—want to restore such confidence. This has become clear during discussions by officials over the past six months on the proposals for a "European Act" which will be the second important item on Sunday's agenda.

In part, these proposals try to grapple with the majority vote versus national veto issue and this section of Sunday's text may well be dealt with during the discussion to be led by Mr Pym. Some of the supporters of the European Act hope that majority voting will be treated entirely separately since they think the controversy makes agreement on the Act a very distant prospect.

The document for Sunday prepared by a special working group headed by M Philippe de Schoutheete, Belgium's Ambassador to Madrid, reflects three different strands of thinking on majority voting.

One, favoured by France, says that a vote will be deferred when any government pleads national interest but this interest must directly relate to the issue at hand. Here, Paris is re-deploying its justification for the farm price vote that Britain's veto was linked to the negotiation over its EEC budget payments and not, therefore, really about the price package.

Another approach drawing wider support says that a vote may be deferred and that a decision will be taken at the next ministerial meeting. But this formula means nothing because it does not define whether the decision to be taken will be on the issue at hand or on whether again to defer a vote.

The Commission/Benelux preference is for a statement saying that votes will be called in line with the Treaty, subject only to the understanding that the Community has no wish to ignore important national interests.

The authors of the original European Act proposals, Herr Hans-Dietrich Genscher, West Germany's Foreign Minister, and his Italian colleague Sig Emilio Colombo, were seeking to do a lot more, however, than extend majority voting when they unveiled their plans last November. Among other things they wanted to streamline Community procedures and decision making, to bring foreign policy (political co-operation) decisions into Community machinery and to establish beyond doubt that security issues could be dealt with in foreign policy discussions.

The Schoutheete text, with which Denmark virulently disagrees, proposes a "rapprochement" between the Council of Ministers and political co-operation. This means that the latter would be dealt with in format council sessions.

In principle, this is a major extension of Community competence which could strengthen political co-operation. In practice it may only be a small step forward since the political co-operation discussions would still be prepared through regular meetings of officials from the Ten's foreign offices rather than by the Commission or a new Community secretariat. Moreover, political co-operation agreements would not be legally binding.

Another small member state, this time Ireland, is unhappy about the formula for discussing the political and "certain economic aspects" of security in political co-operation. Dublin sees this as compromising but may yet prove flexible on the issue.

Discussions on Genscher-Colombo proposals have revealed that the Ten are also deeply divided over whether to and how to strengthen the role of the European Parliament. Again Denmark stands at the "change nothing" extreme with Italy, West Germany, Belgium and the Netherlands occupying the reformist camp.

Britain and France are in favour of some cautious changes which would strengthen conciliation between the Parliament and the Council when they disagree on a number of defined issues. But they do not want to extend the range of issues upon which the Parliament's voice must be listened to, nor do they want to leave the Parliament free to delay a Council decision indefinitely.

Protest at sacking of Polish hardliner

By Christopher Bobinski in Warsaw

POLAND'S PARTY hardliners have protested about the sacking of Mr Henryk Tycner, the editor until the imposition of martial law of the Rzeczywistosc (Reality) weekly newspaper which reflected the views of the most conservative wing of the establishment.

The protest, from the "Federation of Rzeczywistosc Clubs," is aimed at Mr Stefan Olszowski, the member of the leadership responsible for the media who sacked Mr Tycner—one of his close allies.

The federation registered just before martial law was brought in last December, was due to have held its founding congress two days after the military stepped in. It is headed by Mr Tadeusz Grabski, who was a member of the party leadership until the party congress last July, when he lost his place in the central committee.

In the first days following martial law, officials close to General Wojciech Jaruzelski's administration often claimed that one of the reasons for the crackdown was to forestall a coup by Mr Grabski's hardliners.

Since then, Mr Grabski has met Gen Jaruzelski twice—in February and mid-May. He has refused offers to serve as a Polish Ambassador abroad.

The present protest, which was publicised on Wednesday, marks an open break with Mr Olszowski, often described as a hardliner. The kindest word the Rzeczywistosc people will describe him with is "pragmatic."

Gen Jaruzelski has said that he did not know of the decision to sack Mr Tycner. The protest declares that the new-style Rzeczywistosc, which began coming out four weeks ago after the pre-martial law paper was suspended along with the rest of the press on December 13, is nothing to do with the hardline movement.

Mr Mieczyslaw Rakowski, a deputy premier and a moderate Jaruzelski supporter opposed Rzeczywistosc coming out in its old form.

A spokesman for the clubs claims there are now 60 throughout the country, with some 50,000 members. The movement declined once martial law came in, but since the demonstrations by the Solidarity supporters at the beginning of May, it has grown rapidly.

Right and centre struggle for power in Spain's UCD

BY ROBERT GRAHAM IN MADRID

A POWER struggle is going on inside the ruling Union de Centro Democratico (UCD) over the continued leadership of Sr Leopoldo Calvo Sotelo, the Prime Minister. It has been prompted by the party's disastrous performance in elections to Andalucia's parliament and the need to agree quickly on a strategy for the general election which is likely to be held this autumn.

Sr Calvo Sotelo (left): reputation eroded.

In Andalucia the UCD was pushed into third place, with only 14 per cent of the vote, behind the right-wing Alianza Popular of Sr Manuel Fraga, a former Franco minister. He drew considerable support from former UCD voters, increasing the pressure within UCD to decide what direction the party should take. The conservative Catholic right wing is advocating vociferously an alliance with Sr Fraga to gain the vote of what they call "the natural majority."

This broad right-wing alliance is opposed by the liberal and social democrat elements within the party. They believe this would ruin irrevocably the UCD's image as a centre party—so much so that the party itself would split completely. Such a prospect has already led most of the social democrats to walk out, led by Sr Fernandez Ordonez, a former Justice Minister. Other desertions have cut the party's vote in Parliament from 177 of the 350 seats after the general elections in March 1979 to 149 this week.

Sr Adolfo Suarez, the previous Prime Minister, who bears no ideological label, has also bitterly opposed a lurch to the right. Sr Calvo Sotelo himself dislikes the idea because he finds Sr Fraga too intemperate.

If the alliance with Sr Fraga is rejected, though, the UCD will have to perform major surgery on its image to stand a chance in the forthcoming general election. The desire to do this has turned attention on the performance of Sr Calvo Sotelo.

His reputation as a thoughtful leader has been eroded and he is being exposed as a weak, indecisive figure behind an unsmiling mask. He is also paying the price for having devoted too much time to government and not enough to cultivating his own support within the party.

Critics are pressing him to give up the party leadership in favour of Sr Suarez, who claims to have some 40 MPs as his faithful supporters and still has an important following within the party apparatus, especially in the provinces.

Sr Suarez was forced to resign from the leadership in January last year when he also stepped down as Prime Minister.

Surprisingly, Sr Suarez—or "the Duke" as he is called following his ennoblement last year—is today widely regarded as the UCD's chief electoral asset. He is determined to exploit this to make a political comeback via the party apparatus.

Peseta at record low against $

By Our Madrid Correspondent

THE PESETA yesterday reached a record low against the dollar with a fixing by the Bank of Spain of Pta 110.5. Although Spain did not devalue in the wake of the weekend currency adjustments within the European Monetary System, the Peseta yesterday had dropped 3.4 per cent against the dollar, the main traded currency.

The Bank of Spain, since the peseta devaluation of July 1977, has operated a semi-clean float. It has always been discreet about the scale of intervention, following a fine balancing act between the political need to sustain the value of the peseta and demands from the business community for a more realistic quotation.

The latest Bank of Spain bulletin refers to a "strong intervention carried out during February and March to prevent a greater depreciation.

In the first four months of the year, Spain's reserves dropped by $1.6bn to $12.7bn and they are believed unofficially to have dropped a further $400m.

Lisbon may impose price freeze

By Diana Smith in Lisbon

THE PORTUGUESE Government may impose a selective price freeze in the wake of this week's 9.4 per cent devaluation of the escuda against the basket of 13 currencies of Portugal's main trading partners.

According to Sr Joao Salgueiro, the Finance Minister, the Government will pay very close attention to movements of prices and wages in the coming weeks. If necessary it will declare a selective freeze on prices of essential goods. Meanwhile, no "abnormal" wage increases will be allowed.

Portugal is compelled to import 74 per cent of its foodstuffs and animal feeds, and all of its oil. But Sr Salgueiro said, the easing of international commodity and oil prices has reduced some of the most drastic impact of the devaluation.

He warned that energy prices must be adjusted to the new realities. The Government will promote energy-saving campaigns and grant special credits and tax incentives to energy-saving projects, but all remaining subsidies on fuel prices will be abolished.

Sr Salgueiro confirmed that the crawling peg system of monthly adjustments of the escudo against the basket of currencies will continue. Before devaluation, the system had accelerated from an adjustment 0.5 per cent to 0.75 per cent a month.

The realignment of European currencies and the escudo's new parity, meanwhile, make it opportune to set up a fully-fledged foreign exchange market in Portugal, the minister said. He did not indicate a date for this venture, but said that it would begin with spot transactions and move eventually to futures.

The Government had delayed devaluation for as long as possible, Sr Salgueiro said, feeling that a strong adjustment of the currency was not advisable for a small economy as exposed to outside prices and pressures as that of Portugal. However, while it had been possible to absorb the first two devaluations of the French franc, the escudo could not bear the brunt of last weekend's third adjustment.

The weight of Portuguese trade with France and of the remittances of 1m Portugues emigrants living there dictated the change in the escudo.

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BASE LENDING RATES

A.B.N. Bank	12½%	Robert Fraser	13 %
Allied Irish Bank	12½%	Grindlays Bank	†12½%
American Express Bk.	12½%	■ Guinness Mahon	12½%
Amro Bank	12½%	■ Hambros Bank	12½%
Henry Ansbacher	12½%	Heritable & Gen. Trust	12½%
Arbuthnot Latham	12½%	■ Hill-Samuel	§12½%
Associates Cap. Corp.	13 %	C. Hoare & Co.	†12½%
Banco de Bilbao	12½%	Hongkong & Shanghai	12½%
BCCI	12½%	Kingsnorth Trust Ltd.	14 %
Bank Hapoalim BM	12½%	Knowsley & Co. Ltd.	13 %
Bank of Ireland	12½%	Lloyds Bank	12½%
Bank Leumi (UK) plc	12½%	Mallinhall Limited	12½%
Bank of Cyprus	12½%	Edward Manson & Co.	13½%
Bank Street Sec. Ltd.	14 %	Midland Bank	12½%
Bank of N.S.W.	12½%	■ Samuel Montagu	12½%
Banque Belge Ltd.	12½%	■ Morgan Grenfell	12½%
Banque du Rhone et de la Tamise S.A.	13 %	National Westminster	12½%
Barclays Bank	12½%	Norwich General Trust	12½%
Beneficial Trust Ltd.	13½%	P. S. Refson & Co.	12½%
Bremar Holdings Ltd.	13½%	Roxburghe Guarantee	13 %
Brit. Bank of Mid. East	12½%	E. S. Schwab	13 %
■ Brown Shipley	13 %	Slavenburg's Bank	12½%
Canada Perm't Trust	13 %	Standard Chartered	‖12½%
Castle Court Trust Ltd.	13 %	Trade Dev. Bank	12½%
Cavendish G'ty T'st Ltd.	14 %	Trustee Savings Bank	12½%
Cayzer Ltd.	12½%	TCB	12½%
Cedar Holdings	13 %	United Bank of Kuwait	12½%
■ Charterhouse Japhet	12½%	Whiteaway Laidlaw	13 %
Choulartons	13 %	Williams & Glyn's	12½%
Citibank Savings	¶12½%	Wintrust Secs. Ltd.	12½%
Clydesdale Bank	12½%	Yorkshire Bank	12½%
C. E. Coates	13½%		
Comm. Bk. of Near East	12½%		
Consolidated Credits	13 %		
Co-operative Bank	*12½%		
Corinthian Secs.	12½%		
The Cyprus Popular Bk.	12½%		
Duncan Lawrie	12½%		
Eagil Trust	12½%		
E.T. Trust	13 %		
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First Nat. Secs. Ltd.	15½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 9.5%, 1-month 9.75%. Short term £8,000/12 month 12.1%.
† 7-day deposits on sums of: under £10,000 9½%, £10,000 up to £50,000 10¼%, £50,000 and over 11%.
‡ Call deposits £1,000 and over 9½%.
‖ 21-day deposits over £1,000 10½%.
§ Demand deposits 9½%.
¶ Mortgage base rate.

EUROPEAN NEWS

France's largest union rejects freeze of wages

BY DAVID WHITE IN LILLE

FRANCE'S LARGEST trade union body, the CGT, yesterday issued its verdict on the Government's anti-inflation package with an outright rejection of a wage freeze. But its Communist leadership stopped short of declaring an open break with the Mitterrand administration.

M Henri Krasucki, the union's deputy leader and heir apparent, drew loud applause from 1,900 delegates at the CGT congress in Lille when he announced that the four-month pay freeze "is not acceptable and is not accepted."

He said the union agreed with the freezing of prices but demanded "more durable means" for enforcing it and accepted no measure that affected workers' living standards. The union doubted the effectiveness of the measure, particularly since the previous government had set about dismantling a long-established apparatus of price controls.

M Krasucki added that any cut in the purchasing power of the working majority would be both an economic error—hitting domestic consumption—and a political mistake.

"It would be to disappoint the masses who have placed their hopes in the Left and are its principal support," he said. The Government, instead, should penalise those people who had the means to pay.

His statement, made just before the start of "round table" talks in Paris on the package, reflected the predominant mood of the congress, which began on Monday.

The delegates of the CGT's member unions represent the overwhelmingly Communist middle ranks of the organisation, which claims membership of 1.9m.

They gave a cooler reception to M Krasucki's more conciliatory remarks towards the Government. M Krasucki, a member of the Communist Party's politburo, said the union was in favour of "an energetic struggle against inflation and unemployment" and was determined to contribute to it.

"There can be differences of viewpoint between us and the Government," he said. "The essential thing is to try to overcome the obstacles."

The CGT had proposals of its own. He suggested co-operation between management and works committees—which meet in medium-to-large companies at regular intervals and include unions and elected staff representatives—on possible savings to beat inflation.

This proposal marks a departure from the standard policy of the unions, who are traditionally firmly opposed to any form of collaboration with capitalist enterprise.

At the same time, however, Krasucki scathingly condemned the moderate line put forward here on Tuesday by a leading CGT dissident, M Jean-Louis Moynot, a Communist former member of the union's top confederal bureau.

M Krasucki, who is due to be elected today to the post of secretary-general following the retirement of M Georges Seguy, a fellow Communist, received a minute-long standing ovation from the most of the delegates.

Fall in reserves confirmed

BY DAVID HOUSEGO IN PARIS

THE accelerating pace at which France's foreign exchange reserves were being depleted in the period leading up to last weekend's devaluation was confirmed yesterday with the publication of the latest Bank of France reserve figures.

During the week ending Thursday June 10—the devaluation occurred on the Saturday—the reserves fell by FFr 8bn (£714m). In the Bank of France weekly figures this shows up as sales of FFr 10bn of ECU holdings of which FFr 2bn were added to the disposable foreign exchange holdings. These by June 20 had thus risen to FFr 18.5bn as against the FFr 16bn a week earlier.

It is believed that in the heavy trading against the franc on Friday June 11 there was a further loss of about FFr 11bn to FFr 12bn. This compares with losses of some FFr 4bn a week earlier in the first half of May.

Although the foreign exchange reserves fell by FFr 45bn to FFr 50bn from the end of February until the devaluation. This excludes French borrowings from other central banks.

The extent of the loss shows that President Mitterrand had little choice but to devalue. The virtual exhaustion of the foreign exchange reserves also added greatly to the pressure to stay within the EMS to take advantage of its swap facilities.

Sweden acts to restrain surge in bank lending

BY WILLIAM DULLFORCE IN STOCKHOLM

SWEDEN'S RIKSBANK (central bank) acted yesterday to curb an unexpectedly fast expansion in bank lending and private consumption. From today it will charge banks which "continuously borrow substantial amounts" from it an extra 2 per cent.

The charge will be added to the current 14 per cent penalty rate. It will be applied when a bank's average indebtedness over six days is regarded as being too high. Last month, Swedish commercial bank lending increased at an annual rate of 13 per cent compared with the 9 per cent guideline indicated by the Riksbank.

The banks' borrowing from the central bank has been more or less continuously at about SKr 10bn (£952m) compared with the level of around SKr 3.5bn at which the penalty rate comes into play.

The Riksbank believes the banks can afford to borrow at 14 per cent and lend to customers because of the strong demand for household credits. This assumption is supported by figures for retail sales which showed an increase of 1-1.5 per cent during the first quarter of the year.

The Government assumed in its finance plan for this year that there would be a decline of 1 per cent in private consumption, allowing for a shift of resources to industry and to exports.

Community budget dispute looms anew

By John Wyles in Brussels

EEC Foreign Ministers, who are said to be tired of the subject of Britain's budget contribution problem, will have to discuss it again at a meeting this weekend because of a failure to agree in Brussels yesterday on how to fund this year's special rebate of £476m.

European Commission proposals won little applause at the weekly meeting of Community ambassadors, indicating some sharp differences between governments which are only just beginning to realise the implications of what they agreed in the early hours of May 25.

Having agreed that West Germany should pay only half its normal share of the rebate and that the "less prosperous" Greece and Ireland should only pay a token amount, France and Italy have been embarrassed before their respective public opinions by having to pay jointly about two-thirds.

Italy wants to disguise this by having its share taken from the 10 per cent deduction made to all member states' contributions to cover the costs of administering Community policies.

France is not yet quibbling about having to pay 43.5 per cent of the rebate but is unhappy about various aspects of the Commission's proposals.

Broadly, the Commission wants every member to pay more into the budget to cover the cost of the British rebate. Those being let off some or all of their share would then receive from the budget extra payments allocated to "special programmes."

West Germany, however, wants a straightforward cheque from the EEC budget which would leave it contributing £85.6m to Britain. France and the Netherlands are vigorously opposed, arguing that budget payments should be for Community policies.

France, Italy and others are beginning to fear that they have conceded too much to Bonn. In effect, they have extended the principle, so reluctantly granted the UK, that it is right and proper for a member state to focus on its net EEC budget contributions if it believes they are disproportionately large.

Yugoslavia again curbs imports

By Aleksandr Lebl in Belgrade

THE YUGOSLAV Government has ordered further import cuts because hard currency exports and financial borrowings this year have failed to match heavy debt repayment obligations.

News of the worsening external liquidity position was given to the federal Parliament in Belgrade yesterday by Mrs Milka Planinc, the Prime Minister, by Mr Zvone Dragan, the Vice-Premier in charge of the economy, and by the governor of the national bank.

They said economic targets would have to be revised downwards from the unrealistic levels set in the 1981-85 plan. In particular, the Government believes it may not have the foreign exchange borrowings or reserves to finance the planned current account deficit of $500m this year, and it is to try to end the year without any deficit.

This will mean further curtailing imports, mainly of new equipment, and not of raw materials where cuts would hurt industrial production.

Mr Dragan said the factors behind the deteriorating liquidity position were sluggish growth in exports for hard currency, smaller-than-projected financial borrowings, and skyrocketing interest rates on past borrowings.

Hard currency debt totalled $19.3bn at the start of the year, and about 50 per cent of convertible currency earnings are needed to service this. Despite some difficulties in the spring, Yugoslavia brought itself up to date by the end of May on debt repayments of $1.7bn. But it still owes $3.1bn in principal and interest on long-, medium- and some short-term debt in the June-December period.

The peak is this month, when $982m is due to be repaid, declining to $626m in July and by December to 626m. Foreign exchange reserves have already been heavily drawn down.

Soviet oil output

Oil output in the Soviet Union rose 0.4 per cent in the January-May period this year to 252m tonnes, not 207m tons, as incorrectly stated in the Financial Times June 17.

FREE DEMOCRATS SWITCH ALLIES IN HESSE

Numbing blow to Bonn coalition

BY JONATHAN CARR IN BONN

THE WEST German Government coalition suffered another sharp — and perhaps fatal — blow yesterday when the liberal Free Democrats (FDP) in the state of Hesse decided to end their alliance with the Social Democrats (SPD).

After hours of agonised debate, 169 of 300 FDP delegates voted instead to try to form a coalition with the Christian Democrats (CDU) in Hesse after elections there this autumn.

The decision means the end of the last remaining regional coalition between the SPD and FDP — one which has lasted for nearly 12 years.

It is also being seen as a sign that Chancellor Helmut Schmid'ts federal government, which is formed by the same two parties, may fall quite soon.

The SPD and FDP have both been rattled badly by recent regional election blows, and are locked in tough bargaining over state borrowing and budget cuts for 1983.

The Hesse decision of the FDP seems bound to increase resentment among the SPD in Bonn, and thus further sour the atmosphere of the budget talks.

A decision on the budget is due by July 7, and the FDP has indicated that accord on this issue is a condition for continuing the Bonn coalition to the next scheduled general election in 1984.

The narrowness of the Hesse vote shows with what deep misgivings the FDP has decided to switch allies.

Several delegates from the centre and left of the party said it was a "false decision of historic proportions," claiming the electorate might turn against the FDP on the grounds that it was simply a party of opportunists

Many members of the FDP have special misgivings because the CDU in Hesse is led by Herr Alfred Dregger, who is clearly to the right of his party and who has been pilloried by SPD and FDP for years.


Herr Gensher: vote was local decision.

On the other hand, the liberals are also afraid of further attachment to the SPD for which support is very low and which received another major electoral rebuff in Hamburg less than a fortnight ago.

The danger for the FDP is that whether it supports the CDU or the SPD in Hesse, it may cease to be a parliamentary force there. In the last Hesse elections in 1978, the FDP gained only 6.6 per cent of the vote—just over the 5 per cent needed under West German law to gain seats in the legislature.

The danger has increased sharply because of the growing success of "the Greens"—the ecologists' party which is starting to replace the FDP as the third force

Herr Hans Dietrich Genscher, Foreign Minister and national chairman of the FDP, said the Hesse vote yesterday was a local decision which did not prejudice the SPD-FDP in Bonn.

The SPD, however, is making it plain that it regards the CDU and the FDP as opponents in Hesse and will fight its campaign there accordingly.

Netherlands plans spending cuts of £2.5bn

BY WALTER ELLIS IN AMSTERDAM

THE DUTCH Government yesterday announced proposed spending cuts totalling Fl 11.6bn (£2.5bn) for the second half of 1982 and the whole of 1983. The aim is to bring central and local government budget deficits below the current high level of 9.75 per cent of national income.

Because the government is an interim administration, in office only until fresh elections on September 8, there is no guarantee that the proposed measure will be implemented.

But Mr Dries van Agt, the Prime Minister, is confident that his Christian Democrat Party, together with the Liberals—now in opposition—will win a handsome victory in the polls.

If he is right, the 1983 cuts will take effect from January 1 and further reductions in expenditure will be planned between then and the next spring budget in March 1983.

Figures presented to parliament in the Hague yesterday by Mr Fons van der Stee, the Minister of Finance, show that since the last budget, in September 1981, government spending has exceeded revenues by Fl 25.8bn.

Expenditure had been targeted to reach Fl 125bn but reached Fl 128.6bn, while income was Fl 3bn, less than expected, at Fl 102.8bn.

One of the main reasons advanced for the size of the deficit is the shortfall in sales of Dutch natural gas, revenue from which was Fl 4.2bn down on the September forecast. Tax revenue also fell, by some Fl 2.6bn, because of the rapid increase in the number unemployed, which stands at just over 500,000 or more than 10 per cent of the workforce.

As a short-term counter, Mr van der Stee intends cutting government spending for the rest of this year by Fl 3.1bn, with the bulk of the reduction —Fl 8.5bn—coming in 1983, after the elections.

Of this year's total, Fl 800m will come from cuts by various government ministries and the rest from reductions in the level of social security payments.

Mr van Agt has been an increasingly stern advocate of spending cuts since the last general election in May 1982, which led, after five-and-a-half tortuous months, to a coalition of the Christian Democrats, the Labour Party and Democrats 66.

His efforts to convert Labour to his monetarist views were only partially successful, however, and the Socialists walked out in protest last month when it became clear that the Premier had even greater programmes of restraint in view for the remainder of the 1980s.

Italy shows surplus on balance of payments

By Rupert Cornwell in Rome

ITALY'S balance of payments returned to the black last month, after three months of substantial deficit. According to the Bank of Italy, the May surplus was L245bn (£102m), compared with a deficit of L1,595bn (£666m) for the same month of 1981.

The most recent figures have led to a decline in the overall deficit in the first five months of this year to L3,947bn (£1.65bn) from L4,872bn (£2.03bn) in the corresponding period of last year.

The improvement should be followed by sizeable surplus in the next few months, as the national accounts benefit in earnest from what promises to be a bumper year for foreign tourism. Reports so far this year have spoken of increases of up to 20 per cent in foreign visitors on the admittedly poor year of 1981.

The returns also help explain the initial reluctance of the Italian Government to see the lira devalued as part of the recent re-alignment of the European Monetary System. In the event, the downward shift of 2.75 per cent was adopted to prevent the Italian currency being over-exposed, as the weakest member of the EMS, after the substantial devaluation of the French franc.

It seems clear that bottled-up pressures released by the early end of Italy's import deposit scheme in February have worked their way through the system.

However, whether Italy's finances can be restored to better balance will depend largely on the Government's success in curbing the runaway public sector borrowing requirement, put at anything up to L70,000bn (£29bn) for 1982. The Government is pledged to take corrective measures but these have yet to be decided.

Patrick Cockburn, in Damascus, explains why one Arab country feels that there is no point in trying to stem the Israeli advance alone

Syria resigns itself to a loss of influence in Lebanon

ON STREET corners around Damascus small boys are selling what, at first sight, looks like paper ice cream cones. But one and the cone turns out to be a detailed Arabic map of Lebanon and western Syria. The maps first came on the market four days ago and for S£1 (about 10p), they are selling like hot cakes. Syrians, who are avid listeners to foreign radio stations, use them to plot the course of Israeli advances.

There is gloom but also a mood of resignation as the Israelis, ceasefire or no ceasefire, sweep north through Lebanon to link up with the Christian militia. Syrian predominance in Lebanon, first established in 1976, has clearly ended.

The Government denounces Israeli moves but does nothing and even statements of defiance are a little muted.

The tension of a week ago, as Syrian and Israeli tanks battled over the strategically vital Bekaa Valley, has eased. Early last Friday morning Israeli reconnaisance aircraft overflew Damascus, pursued unavailingly by the whitesmoke of a Sam missile. People believed they were on the verge of a full-scale war.

Just off the main market, near the old city of Damascus behind its thick walls, I saw a large white Mercedes. Vastly expensive in Syria, the pristine appearance of the vehicle was somewhat spoiled because the owner had smeared it with a thick coat of brown mud to make it less conspicuous from the air. His anxious face could be seen peering through a little porthole on the windscreen.

Today the mood in the capital is more peaceful and streets and markets are crowded. Although many reservists have been alerted, only a minority of specialists have been called up. There is no general mobilisation. At the university on the main highway out of Damascus, the students' strained expression has more to do with their exams than the war.

In one of the best shopping areas, a pedestrian precinct near Salahiniyah Street, close to the parliament building, the street is crowded with shoppers. Numerous doctors and physicians advertise their specialities on plastic signs.

You can take your choice between M. K. Alayan, orthopaedic trauma surgeon, or his close neighbour Dr N. Abouaschid, who advertises himself as a specialist in "maxillo-oral surgery" (W. Ger.). There is Dr Fouad Mahaini who claims to have made his reputation as a "kieferorthopade orthodontist."

But for all the air of normality there is a deep-seated fear about the consequences of the Israeli takeover of most of Lebanon. In 1976 Christian militia leaders, who now embrace Israeli tank commanders, were cheering the arrival of the Syrians to save them from the Moslem Leftist Palestinian coalition. Syrians believe that with the Israelis and their allies now so close to Syrian territory, a full-scale war over the next few years is inevitable.

The windy braying of official propaganda, with its tired slogans and empty verbosity, tends to conceal the very real belief that General Ariel Sharon, the Israeli Defence Minister, has left Syria no option but to fight.

This change in feeling had come quickly; during the first few days of Israel's advance it was assumed that the action would be limited to an extensive raid against the Palestine Liberation Organisation (PLO). For the Syrian Government, giving the PLO a bloody nose was not without compensations. "It is obvious that the Syrians were taken by surprise by the Israeli mood," says a diplomat.

It was only late on Tuesday night last week that the Syrians began to realise that Israeli plans were more ambitious. Gen Sharon's armoured columns were already racing towards the vital road linking Damascus to Beirut.

Israeli tanks were also testing Syrian defences in the southern Bekaa Valley. On the Wednesday, the Sam missiles guarding the Bekaa Valley from air attack were destroyed by the Israelis. On June 9 and 10 the Syrians threw in the first division and the elite third armoured division.

Fighting raged in the southern Bekaa, crucial for Syria. If it falls, the back door to Damascus is open and the cities of northern Syria are vulnerable. The Bekaa is also considered by many Syrians as part of greater Syria, truncated by the French creation of Lebanon. The peasants in the valley speak Arabic with a distinctive Syrian accent.

It is not surprising that the Syrians brought in detachments from their 12,000 strong elite special forces. These succeeded in driving the Israelis back, but after two days Syria had few reserves left to send into Lebanon, without denuding the defences of Syria itself.

The troops dug in on a series of defensive lines protecting the mountain pass between the Bekaa and Damascus. When an Israeli fighter bomber flew high overhead just before the ceasefire, Syrian troops fired every gun available. Together with a number of other correspondents I took refuge in a ploughed field just beside a large blue billboard advertising the Sheraton Hotel in Damascus.

Yesterday the frontier was much quieter. Most of the Syrian troops are already dug into their positions. As we sipped sweet tea with relaxed customs officials at the Syrian border pass on the road to Beirut, the main danger to life seemed to come from Syrian drivers.

They believe that if you drive quickly at an object, it will jump out of the way. This thesis holds true with humans and animals, but Syrian drivers tend to adopt the same tactics towards large stones in the road, brick walls and T-62 tanks. The disastrous consequences of this policy can occasionally be seen beside the road.

Back in Damascus the Syrian Government seems to want to keep emotion in Syria as low-key as possible. For several days after the ceasefire there were no accounts of the Beirut fighting in the Press nor on television. President Hafez al-Assad is distancing himself from the conflict. By showing two World Cup matches a night on TV, attention is diverted from the siege of Beirut.

Privately many Syrians argue that they simply cannot afford to fight the Israelis alone and unsupported, as they would inevitably be defeated. They say they have already suffered heavy losses in men and material. The Soviet Union has guaranteed Syrian territory but not Syrian forces in Lebanon. Where can Syria find allies?

Its relations are as bad as ever with Jordan and Iraq. In the Press there are endless reports of messages of support from as far afield as Ulan Bator but, glad though the Syrians doubtless are to have the Ulan Batorians in their corner, something more substantive is needed.

Some Iranians have started to arrive, but only in small numbers. "We invited them mainly to annoy the Iraqis," said one Syrian. Only 200 to to 300 seem to be in the country and the Government is a little wary of them. At breakfast in the Meridian Hotel in Damascus one large Iranian, black bearded with a camouflage jacket, is to be seen. Sitting beside him is his wife, almost entirely concealed by a long black chador and his daughter in a black headscarf.

Meanwhile in the Meridien rooftop nightclub bare-breasted dancers go through their paces every night. What the Iranians think of all this remains unclear.

Libya considers intervention

Colonel Muammer Gadafi, the Libyand leader, was quoted as saying Libya was seriously considering military intervention in Lebanon to counter what he described as a brutal and barbarous invasion by Israeli forces, Reuter reports from Paris. "Libya is thinking seriously of intervening with its forces in Lebanon, whatever the consequences," the magazine Afrique Asie reported him as saying. In Tunis, the Libyan Oil Minister urged Arab oil-exporting countries to use oil as a weapon against Israel and its allies.

European assembly call for withdrawal

STRASBOURG — The European Parliament called yesterday for the withdrawal of all foreign forces involved in the conflict in Lebanon and for a negotiated settlement.

It adopted a compromise resolution by Italian Christian Democrat Sig Paolo Barbi, condemning armed action in Lebanon by Israeli troops and all earlier acts of terrorism against Israel. The motion, which also urged immediate EEC aid for the victims of the conflict, was passed by 106 votes to 90 with 13 abstentions.

The motion, replacing five other texts by different political groups, caused split party voting with several West German and British socialists in favour and some conservatives voting against.

Mr Adam Fergusson, a British conservative, said that despite deep divisions on the issue, all sides agreed that Lebanon's territorial integrity must be restored.

Reuter

Bombings the last straw for Middle East Airlines

BY ANTHONY McDERMOTT IN BEIRUT

THE DESTRUCTION of two Middle East Airlines Boeing 720 aircraft on the tarmac at Beirut airport by Israeli shellfire yesterday will only compound the problems of Lebanon's national airline.

Mr Asad Nasr, the resigning Middle East Airlines chairman, has announced that MEA's losses in 1981 were L£87.7m (£9.8m), mainly due to the closure of Beirut airport for 22 days as a result of shelling, and its inability to resume full operations for several weeks.

In the fighting around the airport in the past week, MEA has also lost a Boeing 707 on the ground. But the airline, which provides employment for around 6,000 has managed to survive both local political instability and a particularly bad economic climate for the international airline business.

Mr Nasr said yesterday that the expiry of long-term leases of MEA aircraft to other airlines, which had been providing MEA with more than half of its revenue, meant that a fall of 40 per cent in income compared with 1980 was likely.

Apart from one Boeing 747 being leased to Saudia (and possibly two others), MEA has had difficulty finding new lessees.

Second, MEA had been unable to expand its operations by opening new routes to North and South America and the Far East.

Third, inflation had driven up unit costs more swiftly than could be compensated for by higher fares at a time of world recession and MEA had been hit by sharp fluctuations in exchange rates and interest rates, particularly in Lebanon.

Finally, if MEA fails to obtain an exemption from a 90 per cent increase in the price of fuel decreed last October, the airline could find that its losses would rise by an additional L£16.2m.

Israeli soldiers drive their "Express to Beirut" along the Lebanon coastal road. They had virtually surrounded the Lebanon capital yesterday.

Fund-raising drive for $100m

TEL AVIV — Prime Minister Menahem Begin will launch a drive among foreign Jews for $100m to offset the economic impact of Israel's invasion of Lebanon, the Israel Bonds Organisation said yesterday.

Mr Begin, who is in New York, will speak to an Israel Bonds luncheon today after addressing the United Nations Disarmament Conference, and American Jewish leaders will present cheques for money raised in a two-week fund drive.

The Israel bonds money is to be used in the development budget. The Bonds Organisation said Mr Yoram Aridor the Finance Minister had appealed for a new fund drive to assure "the building of the Israeli economy as a sound basis for a lasting peace."

AP

Minority Israeli party disbands

TEL AVIV — A small Right-wing party which the Israeli Prime Minister, Mr Menahem Begin, hoped to bring into his Parliamentary coalition has decided to disband.

The decision by the Telem Party, which has two seats in the Knesset (parliament), still leaves Mr Begin's coalition with 59 seats in the 120-seat parliament but deprives it of the chance of an outright majority.

A party spokesman said that after a meeting last night it was decided to disband because agreement could not be reached on whether to join Mr Begin's Likud coalition. The party was formed a year ago by former Defence Minister the late Mr Moshe Dayan.

Since two coalition members defected to the opposition Labour Party six weeks ago, Telem's role in the Knesset had taken on increased importance. One of the two Telem members, Mr Yigael Hurwitz, is expected to support Mr Begin.

Reuter

Egypt hopes for 8% growth

By Charles Richards in Cairo

EGYPT AIMS to boost its gross domestic product by 8 per cent a year and reduce its balance of payments deficit by 75 per cent over the next five years.

These ambitious targets were listed in the five year development plan scheduled to run until 1988, announced after its approval by the Cabinet.

The plan, prepared by the Minister of Planning Dr Kamal el-Ganzouri, envisages growth of 8.6 per cent in the commodity sector, which encompasses agriculture, industry, power generation, construction and petroleum. According to Government estimates, the annual growth rate in this sector has been 5.8 per cent over the past five years.

The development plan reflects President Hosni Mubarak's priority of increasing local production and curbing imports. The Government also hopes to reduce the balance of payments deficit from its present level of around $2bn to $500m by June 1988.

Over the past five years Egypt has attained an annual growth rate of some 9 per cent. But this has been mainly due to large rises in the amounts remitted by workers abroad plus sharp increases in earnings from oil, the Suez Canal and tourism.

Imports of consumer goods have correspondingly shot up. The government has introduced a number of measures designed to reduce the import of luxury goods and to divert resources towards investment in industrial and agricultural projects.

In the new plan just over E£34bn (£23bn) has been allocated for investment, E£26.1bn for the public sector and E£8bn for the private sector.

Calm restored in most of Chad

CHAD'S new leader, Mr Hissene Habre, said yesterday faction fighting was continuing in the southern part of the country but that calm has been restored elsewhere, AP reports from Paris. "The situation is relatively good," he said during an interview with Radio Monte Carlo. "Order, security and peace have been restored in the capital as well as other major cities of the country."

South Africans link Namibia settlement to removal of Cubans

BY J. D. F. JONES IN JOHANNESBURG

MR P. W. BOTHA, the South African Prime Minister, yesterday declared that South Africa was ready to accept the next step towards a settlement in Namibia (South West Africa)—detailed proposals on how the United Nations would supervise a ceasefire and elections in the territory — provided Cuban forces withdraw from neighbouring Angola.

His statement is the most forthright South African declaration to date of its willingness to go ahead with a UN-supervised settlement in Namibia, as proposed by the contact group of five Western nations. At the same time, he insisted that elections leading to Namibian independence must be held by March 1983.

Mr Botha . . . condition

War zone

The Prime Minister was speaking during one of his regular visits to the war zone in the north of Namibia, where the South African Defence Force is locked in stalemated border warfare with the guerrillas of the South West Africa People's Organisation (Swapo).

He said that South Africa was prepared to accept phase two of the Western settlement proposals—the scheme for implementation of UN supervision of the independence process, working in tandem with the existing South African administration in the territory. "We now want to proceed to phase three," he said—putting the plan into effect.

Mr Botha said withdrawal of the estimated 15,000 to 20,000 Cubans in Angola was "the most important point in the whole settlement" from the South African point of view.

"We . . . make it very clear that we cannot complete these different phases eventually unless the Cubans leave Angola. Phase three cannot be accepted unless the Cubans leave."

Referring to the reluctance of Swapo to agree to the split-vote system of election recommended by the contact group, Mr Botha emphasised that the elections could not be delayed beyond next March.

Independence

"We cannot take responsibility for the reluctance of other parties to come to terms with our desire to lead South West Africa and its people to independence."

The South Africans have been signalling for some weeks, following the news of Swapo hesitation that they were prepared to "accept" phase two. This has caused some surprise, not simply because the topics scheduled for phase two had previously been thought likely to cause difficulties, but also because no one is quite sure what phase two now means in South African eyes.

Phase three, according to the original timetable laid down in UN Security Council Resolution 435, refers to a seven-month period during which arrangements will be implemented on the ground for the UN supervised election which is to lead to a constituent assembly charged with drawing up a constitution for an independent Namibia.

Contact group

Mr Botha's remarks yesterday are clearly intended to reassure the contact group (whose members have recently been visiting Angola, Zambia and Tanzania) that the South African Government has definitely taken a decision to proceed to an election.

It is the unanimous opinion of observers in Windhoek that Swapo — if it condescended to participate — would be the likely victor of such an election, irrespective of the electoral system employed. The pressure is therefore increasing on Swapo to agree on an electoral system and participate in an election which, according to the seven-month timetable, can still be held early next year.

Japanese unable to control yen depreciation

BY CHARLES SMITH, FAR EAST EDITOR IN TOKYO

THE JAPANESE Government appears to be at a loss to find ways of coping with the depreciation of the yen, now at its lowest level against the dollar for more than two years.

The yen fell nearly four points against the dollar yesterday, closing at Y254.40 against the dollar on the Tokyo foreign exchange market. It has lost more than ten points since the beginning of June.

The Bank of Japan is believed to be intervening in the market in an attempt to slow down the rate of depreciation. But one private sector expert yesterday described intervention, in the current state of the market, as the financial equivalent of the bamboo spears which Japanese householders prepared to fight the Americans at the end of World War II.

The chief source of downward pressure on the yen is a continuing heavy outflow of funds on Japan's long term capital account, which in turn reflects the huge differential between Japan's low interest rates and the high rates prevalent in the U.S.

The raising of Japan's discount rate (from its current level of 5.5 per cent) appears to be the only move open to the Government which would help to reduce pressure on the exchange rate (given that Japan's foreign trade partners would probably react with hostility to a re-introduction of foreign exchange controls).

Low interest rates, however, are regarded as an indispensable part of the Government's current macro-economic stance, which also calls for extreme fiscal stringency in the face of the high budget deficit.

The chronic undervaluation of the yen has not yet produced the inflationary consequences for Japan's domestic economy or the surge in overseas demand for Japanese products which should theoretically result from it.

However, economists remain convinced that if the rate stays low for several months problems could start to multiply. The problems include a sharp increase in the yen denominated prices of imported raw materials (including oil) and a corresponding squeeze on the profitability of industries which depend heavily on such materials.

At the opposite end of the scale a weak yen means artifically inflated profits for industries exporting manufactured good such as cars.

Bank of Japan intervention to prevent, or slow down, the yen's depreciation is believed to have totalled around $6bn (£3.3bn) during the last six months. But it may have been running at higher than normal levels during the period immediately preceding the Versailles summit when Japan had an interest in keeping the yen out of the limelight.

Since the summit, intervention is thought to have fallen back to more "normal" levels with a corresponding acceleration in the rate of the yen's decline.

The yen is now at its lowest point against the dollar since mid April 1980 and will hit a five year low if it falls by another eight to ten points. Independent observers in Tokyo believe that the trend towards a weaker yen is firmly established and that the rate could easily fall below Y260 to the dollar.

Kampuchea opposition 'reaches agreement on unity'

BY JONATHAN SHARP IN BANGKOK

The much-debated coalition of the three main Kampuchean groups opposing the three-year-old Vietnamese occupation of their homeland is close to becoming a reality, diplomats said in Bangkok yesterday.

"Is in the bag," said one senior diplomat with confidence, although none of the three groups themselves has made an announcement and none of their senior representatives was available in the Thai capital for comment.

The new optimism comes, coincidentally, just ahead of a visit to Singapore by the Vietnamese Foreign Minister, and a day after Asean foreign ministers ended talks in Singapore without agreeing on any new approaches for the Kampuchea issue.

The diplomats said a provisional agreement has been hammered out between the radical Khmer Rouge, which bears the brunt of the guerrilla fighting against the estimated 200,000 Vietnamese troops in Kampuchea, and the staunchly anti-Communist group led by former premier Son Sann.

The third member of the proposed coalition is Prince Norodom Sihanouk, who is on record as saying he will go along with what the other two parties agree.

The accord between the three, if it is confirmed, will be the fruition of nine months of tortuous negotiations that led to increasing impatience among the main backers of the coalition, the five member nations of the Association of Southeast Asian Nations (Asean).

Asean, which opposed the 1978-79 Vietnamese invasion of Kampuchea, wanted the coalition to be formed so as to give greater credibility and international respect to the Kampuchean resistance and the anti-Vietnamese cause.

At present Asean members, along with many Western countries, vote for the Khmer Rouge in the United Nations, where it occupies the Kampuchean seat under the title of Democratic Kampuchea. But many nations, including Britain, find it distasteful and hypocritical to support the Khmer Rouge because of its record of brutal policies while it held power in Kampuchea between 1975 and 1979.

The main sticking point in the talks between the three Kampuchean groups has been over the sharing of power in the coalition, with Son Sann fearing that his Khmer People's National Liberation Front would be swallowed up by the more powerful Khmer Rouge.

The diplomats said that according to the provisional agreement Sihanouk will be president, Khmer Rouge leader Khieu Samphan will be Vice-President and Foreign Minister, and Son Sann will be Premier. The Government will be run under a system of tripartite committees.

Such a coalition is seen as being able to attract more foreign aid for the fight against the Vietnamese, although at present there is little actual Kampuchean territory that the three groups can call their own.

Their main bases are in the jungles along the Kampuchean-Thai border areal although the Khmer Rouge, which has about 30,000 men under arms, claims it controls wide areas of the country. The Vietnamese-backed Government in Phnom Penh is recognised by the Soviet bloc and India.

Third Korean company victim of financial scandal

BY OUR FOREIGN STAFF

A THIRD company listed on Seoul's stock exchange appears to have fallen victim to the financial scandal which rocked South Korea's unofficial loan market last month.

Sam Jin Aluminium Company officials said yesterday they were trying to save the company after banks had refused to honour some $640,000 (£365,700) of its promissory notes.

While Sam Jin, unlike the troubled Ilssin Steel and Kong Yung Construction, has not been directly linked to the kerb market scandal, the volume of funds on the market has shrunk dramatically and the company was unable to borrow for daily operations, officials said.

While Sam Jin, which produces foil paper for cigarette packets, is relatively small (sales last year were $16.4m), the shortage of funds following the scandal, which centred on two market dealers discounting notes used as collateral for loans, has raised fears for other highly geared companies dependent on the kerb market.

The Government has already allowed interest rates to rise in the official call market in order to attract lenders from the kerb market.

Commenting on the excess demand for credit highlighted by the scandal, the Finance Minister, Mr Rha Woong-Bae, told foreign businessmen yesterday that he felt interest rates should be sympathetic to market forces and, consequently, raised.

However, any rise now would be counterproductive, he thought, because it would worsen the financial structure of local businesses, weaken demand and reduce production.

The Minister said that once signs of economic recovery were strong, the Government would consider adjusting the rates.

The Minister also outlined broad policy directions to stimulate the sluggish South Korean economy, including more expansionary fiscal and monetary policies.

The broad money supply targets for the year will be stepped up to 25 per cent from the initial target of 20 to 22 per cent through both fiscal and monetary changes. Mr Rha believed credit could be expanded without abandoning the Government's commitment of single digit inflation.

Touching on the kerb market scandal, the Minister said that severe cash shortages in businesses that led to borrowing at any cost, and the shortage of funds in the financial system should be corrected once economic recovery starts and funds are encouraged to flow into institutional markets.

The latter is to be accomplished by broadening the activities of commercial banks and opening the call money market to non-bank financial institutions.

House and Senate Republicans agree final budget plan

BY ANATOLE KALETSKY IN WASHINGTON

A BUDGET plan which allows for a deficit of $103.4bn in 1983 was agreed yesterday by Republican leaders in the U.S. Senate and House of Representatives.

This plan has now to be presented to Democratic members of the House and Senate budget committees, which have been trying this week to reconcile the two budget proposals passed separately by the two chambers of Congress.

Once the two budget committees formally endorse the compromise plan it will be sent back to the Senate and House for a final vote. If it is passed, the U.S. Government will at last have a budget, after more than four months of deadlock.

President Reagan is almost certain to endorse the final budget outcome, although there will be certain features of the plan he finds objectionable.

On Wednesday, he wrote to the House and Senate negotiators urging them to restore $900m of foreign aid requests which the House had cut out of its budget proposal.

Such a cut, which would have to come largely from aid given to Israel, Egypt, Pakistan and Central America, the main recipients of U.S. aid, would seriously impair foreign policy at times of crisis.

While the details of the compromise worked out by the republican leaders were not finalised yesterday, it seems likely that the outcome will be closer to the conservative spending plans passed by the House.

The budget deficit figure of $103bn is $4bn higher than the one passed by the House and $12bn lower than the Senate's proposal.

Even so, the main obstacle facing the final passage of a budget may be the reluctance of conservative Democrats in the House to vote for any budget plan with a deficit above the psychologically crucial $100bn figure.

A more serious problem, however, is that even after a budget is passed by both Chambers of Congress it will be up to the individual appropriations and finance committees to adopt the tax and spending measures.

This will be the point at which the mainstream of the Democratic party launches its strongest attacks on unpopular spending cuts and tax increases.

There is still considerable doubt, particularly on Wall Street, about whether congressmen will have the political courage to pass unpopular measures in an election year.

A further problem is that the budget deficit figures being put forward in all the plans considered by Congress are probably over-optimistic.

Independent analysts believe that the $99bn deficit passed by the House earlier this month for example, may actually turn out to be $10bn higher even if all the measures considered in the budget debate are adopted.

A 12-year moratorium in negotiations for the Guayana Essequibo ends today. **Joseph Mann** reports

Feud simmers over Venezuela's territorial claims

FIGHTING IN the Falkland Islands has ended, but another territorial feud is simmering at the northern extreme of South America, between Venezuela and Guyana. And today's expiry of a 12-year moratorium on negotiations over the contested territory brings the dispute to a new and potentially volatile stage.

Venezuela and Guyana (formerly British Guiana) are enmeshed in a long-standing disagreement covering more than 50,000 square miles of territory called the Guyana Essequibo, a sparsely populated region in western Guyana bordering on Venezuela. A highly emotional issue for both of these South American republics, the dispute centres on Venezuela's claim over the whole of the Essequibo, which makes up two-thirds of Guyana's national territory. Guyana asserts that the Venezuelan claim is totally invalid: the Essequibo is entirely Guyanese.

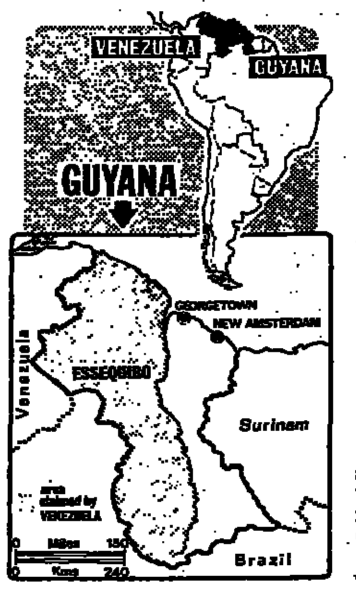
According to existing agreements, the two nations now have a three-month period (beginning June 18) to decide on "a means of peaceful settlement" based on the alternatives offered under Article 33 of the United Nations Charter—which includes options such as negotiation, arbitration and mediation, to be applied to international disputes.

If the two nations cannot agree on a channel for peaceful settlement within this 90-day period, they must choose an international organisation which will make the decision. If the two parties fail to agree upon an international entity, they must appeal to Sr Perez de Cuellar, the Secretary General of the United Nations, for a ruling.

These options were laid down in an accord signed by the governments of British Guiana, the United Kingdom and Venezuela in Geneva in 1966, and later incorporated into the 12-year moratorium, the so-called "Protocol of Port of Spain." Guyana received full independence from Britain on May 26 1966.

It is not likely that Venezuela and Guyana would fight over the disputed territory, even though both sides routinely announce that they will defend their sovereign interests at whatever cost, and Venezuelan ultranationalists periodically call on their Government to invade. The leaders of both nations — Presidents Luis Herrera Campins of Venezuela and Forbes Burnham of Guyana—seem genuinely interested in avoiding any armed conflict.

Guyana's tiny defence force would be at a great disadvantage in numbers and equipment in any hostilities against Venezuela. Both sides have already made preliminary contacts through their ambassadors in



Caracas and Georgetown to discuss, as Mr Rudolph Collins, Guyana's ambassador to Venezuela, said, "what it is we are going to discuss."

No concrete schedule of meetings has been drawn up as yet, and no agenda has been defined. All this should be done during the coming weeks.

The disputed territory is potentially more valuable to Guyana, a poor nation with under 1m inhabitants, than to Venezuela, the wealthy oil-producing country of 16m people—last year's petroleum exports were worth over $19bn (£10.5bn).

No one knows for sure what riches the Essequibo may hold but both sides believe that the jungle region possesses minerals and petroleum. A Canadian oil company, carrying out exploratory work in the area, has found small oil deposits. More important, perhaps, is the great hydro-electric potential of the region's Mazaruni River which Guyana has been unable to develop because of Venezuela's veto on a proposed World Bank credit. Guyana wants to use the power to develop its bauxite deposits and create an aluminium industry.

Both nations have actively sought international support for their position, and both governments have campaigned vigorously over the past year.

Venezuela is keen to avoid "internationalising" the Essequibo negotiations, and wants to limit talks to the two parties involved. According to foreign diplomats in Caracas, this is partly because the Venezuelan Government privately fears that its case under international law is weaker than that of Guyana.

In addition, however Venezuelan officials assert that the country was cheated out of the Essequibo in an 1899 arbitral award which gave British Guiana (then a British colony) full control over the territory.

Venezuela's basic assumptions are that the 1899 award is invalid, and that its claim to Essequibo dates back to maps showing the region as part of Spanish territory, which eventually became modern Venezuela. In contrast, Guyana maintains that the award is the valid international document which defines the country's present boundaries.

Negotiations on the issue will not be easy, since both sides hold firm and mutually antagonistic positions. Moreover, no new proposals or efforts at compromise have been made public as yet.

Mr Collins said that if other nations sought to overturn historical border agreements such as the 1899 award, "it would create a chaotic situation, particularly in Latin America." From Guyana's point of view, he said, the two countries should try to look beyond territorial concessions to economic co-operation.

Sr Sadio Gravini, Venezuela's ambassador to Guyana, said recently: "We have to make it clear that these problems (involving the Venezuelan claim) are complex and difficult. In general, territorial disputes are simply not resolved."

Despite Venezuela's role as the most active supporter of Argentina in the Falklands conflict, the Herrera Government has repeatedly stressed that it wishes to find a peaceful solution to its own territorial claims. Aside from occasional border incidents and outbursts from Venezuelans pushing for a military solution, Venezuela seems sincere in pressing its case through peaceful means.

Observers believe that only a small minority among active and retired military officers in Venezuela are partisans of an open conflict and ever since Venezuela ousted its last military dictator in 1958, the country's armed forces have accepted civilian decisions.

The Government assets that its forthcoming purchase of advanced F-16 fighter aircraft from the U.S. is not meant as an aggressive action against its neighbours. Guyana, however, sees the issue quite differently.

President Herrera must tread carefully on the Essequibo issue. He will remain president until March of 1984 and presidential elections are to be held at the end of next year. Thus, his Government and his party's presidential candidate will be vulnerable not only to the vagaries of public opinion, but also to attacks from a range of Opposition parties

No Venezuelan president would wish to go down in history as one who has "sold out" his nation's interests. Mr Herrera is expected to be especially cautious. Although some observers note that an armed invasion of the Essequibo before elections would rally Venezuelans to the President's side, most political analysts believe that this possibility is far fetched.

Bomber costs rise $6.2bn

BY ANATOLE KALETSKY IN WASHINGTON

THE CONTROVERSIAL B-1 Bomber programme will cost $6.2bn more than the Pentagon's official $20.5bn (£11.7bn) estimate, according to an internal Defence Department study which Congress obtained this week after a long wrangle with the Reagan Administration.

The Administration intends the B-1 to be a major element in its startegic nuclear deterrent. But the aircraft, which has been undergoing development fo rover 12 years, has been dogged by cost overruns and delays.

President Jimmy Carter decided to stop B-1 construction in 1977 amid criticisms that the bomber would become obsolete because developmeits in "stealth" technology would make a more advanced U.S. bomber immune from Soviet radar detection.

The study is likely to revive controversy over the B-1, which is being built by Rockwell International.

The study suggests that the Administration's $20.5bn estimate for 100 B-1s underestimates the cost of the airframe by $1.4bn and the requirements for flight testing. Rockwell has requested 1,300 hours, compared with an allowance of 1,000 hours in the Pentagon's budget. The programme's total cost would be $26.7bn, the study suggests.

However, Pentagon officials insist that the study, which was conducted last year, is out of date. Mr Caspar Weinberger, the Defence Secretary, has made a personal commitment to Congress to ensure that the B-1 does not overrun the $20.5bn provision.

World Bank considers change in lending rules

WASHINGTON—The executive board of the World Bank is to consider a fundamental change in the way the agency borrows and lends money in its role of assisting developing and often desperately poor countries.

Bank officials said the plan, which will be discussed by the Board early next month, calls for the agency to borrow funds in the short-term market where interest rates change with fluctuating conditions.

The bank now borrows on a fixed-rate basis over the medium or long term, but this market has been shrinking because of volatile and exceedingly high interest rates, particularly in the U.S.

Under its rules, the bank cannot borrow in the short-term variable rate market now dominating U.S. financing. As a result, the agency is denied access to one of the largest pools of available funds.

Mr Tom Clausen, World Bank president, said at a Press seminar sponsored by the agency that the change would give the bank more flexibility in obtaining funds.

The system, if approved as is thought likely, also allows interest rates on loans to countries to be reviewed every six months to ascertain if they should be adjusted because of changes in market conditions.

Most commercial loans, particularly in the U.S., are variable, but the bank has resisted adopting this policy because many countries preferred the fixed-rate system.

However, Mr Clausen said it now appeared that world interest rates were beginning to fall, partly because of reduced inflation.

"There is a pretty good indication that interest rates are dropping and this should produce less of a burden on the borrowing countries," he said.

Officials at the seminar said if the plan is approved the bank intends to borrow between $1bn and $1.5bn in the U.S. short-term market as part of its $9bn borrowing plan for the financial year starting on July 1.

Eventually, the bank intends to borrow in short-term markets overseas but any such action would never totally replace longer term, fixed rate loans.

Reuter

Salvador defence minister calls for more U.S. aid

SAN SALVADOR—General José Guillermo Garcia, El Salvador's Minister of Defence, has called for more U.S. aid in fighting left-wing guerrillas and rebuilding his country's shattered economy.

"What we get from the U.S. is not enough," Gen Garcia said in an interview on Wednesday night, a day after Mr Deane Hinton, the U.S. ambassador, formally handed over six ground attack aircraft and four reconnaissance planes at a military airport near here.

"We need more aid from the U.S. not only military but economic as well," the general said.

The arrival of the aircraft—six subsonic A-37 Dragonfly jets and four spotter planes—coincided with what Gen Garcia described as the heaviest fighting in El Salvador's civil war since the March 28 elections which brought the present government to power.

The fighting is centred on the north-eastern province of Morazan where the Salvadorean army's U.S.-trained elite is trying to dislodge left-wing insurgents from the town of Perquin and nearby San Fernando area.

Some 2,000 troops are thought to be involved. They are said to include elements of the Belloso Battalion, the first Salvadorean unit trained in the U.S.

Its men underwent a three-month counter-insurgency course at Fort Bragg, North Carolina, earlier this year.

The newly-delivered aircraft, to be flown by U.S.-trained pilots, replace most of the aircraft destroyed when guerrillas slipped into the Ilopango air base in January and blew up six planes and six helicopters.

The A-37 Dragonfly, designed for and used in the Vietnam war, is equipped with rapid-fire machine-guns and can carry up to 3,000 lbs of rockets and bombs.

El Salvador's rightist-dominated constituent assembly recently suspended a U.S.-promoted land redistribution programme, a move which led the Senate Foreign Relations Committee to hold military aid to roughly the 1982 level.

Reuter

Junta concedes 'partial triumph' for British forces

Arms dump: Argentine soldiers line up to hand in their weapons to Royal Marines just outside Port Stanley, East Falkland, following their surrender.

BUENOS AIRES — Argentina's military government conceded on Wednesday night that Britain had won "a partial triumph" in the Falkland Islands. But the junta said this was only achieved because Britain had better equipment and the support of the U.S.

The admission was contained in the government's Communique No. 16 and provided Argentines with the first government explanation of what happened in the Falklands.

The following is the text of the communique, translated from Spanish:

"At 10.00 hours on the 13th of June English forces began an intensive softening up action by means of persistent artillery fire, and naval and aerial bombardment that produced material damage on artillery and supporting arms.

At 22.30 hours on the same day they mounted a large scale attack exploiting their technological capacity to operate at night, which was facilitated by the use of special equipment for night vision, including visors and infra red sights, portable missile guidance systems, laser aiming devices, discardable individual mortars, etc.

The mentioned attack was completed with the massive support of helicopters outfitted for night operations, which gave the enemy a great mobility with a minimum of troop losses.

The operation consisted of three large operations:

- Harriet—Tumbledown.
- Longdon (sic)—Wireless Ridge.
- Murrel—Cortley Hill.

At 0500 hours the enemy breached the defensive front and penetrated our position. At the same time heli-transported special forces overcame our upper defences and descended on the backs of our men, forming a circle practically impossible to break and forcing a change of front very difficult to achieve.

While the above-mentioned troop movements were taking place, enemy artillery with pin-point fire and attack helicopters providing supporting fire with singular efficiency and continuity, due to their advanced weapons systems, destroyed our artillery and understandably affected communications, drastically reducing our combat ability.

With the first light of day, at 9 o'clock, the enemy had conquered the prominent heights and key points of the defence. Reserves were used in the intense combat until the situation became unsustainable.

At 1500 hours a de facto cease-fire was effected without previous agreement.

The commander of the Malvinas (Falkland) military garrison made a corresponding evaluation and concluded that it was impossible to continue resisting without producing a useless bloodbath.

As a result contact was made with the commander of the English regarding the cease-fire, a decision based exclusively on the developments that had taken place with the forces under his command.

Through an analysis of the fighting in Porte Argentino (Port Stanley) and a comparison with the actions that had taken place throughout the period of hostilities in the area of the Malvinas, one can conclude:

- That the taking of Poroto Argentino was due to the superiority in means and technology of the English forces.
- That these means were used when the enemy began its final offensive and with the certainty that any other way its triumph owuld have been extremely difficult.
- That these means, many of which were totally new and unknown on world arms markets, turned the Malvinos into an experimentation and testing ground.
- That logistics were aided by the United States.
- That those same English have recognised that the professional competence, bravery and spirit of our troops constituted an obstacle that could only be overcome by a notable superiority in material, both in quality and quantity.
- It must be recognised that the technical superiority and the availability of means have formed the basis for this partial triumph by Great Britain. And that they have helped in the development of operations resulting in appropriate world arms markets being closed to us.

And it also should be taken into account in an evaluation that, in spite of our reduced technical capacity, the difference in means and the impossibility for us to replenish our material, our armed forces, with courage, bravery and honour, not only faced England, one of the principal powers of the world and backed by the United States, but also the European Economic Community and the acquiescing Nato, and even so produced disproportionate damage in relation to the difference of forces and means of opposition."

AP

Review of merchant fleet planned

By Andrew Fisher, Shipping Correspondent

THE UK Government intends to canvass the views of the shipping industry and the maritime trade unions in the wake of the Falklands crisis to see what lessons can be drawn for the merchant fleet.

Without saying whether the Government's non-interventionist policy on merchant shipping might change as a result of such a review, Mr Iain Sproat, Shipping Minister, commented: "The Falklands has sharpened up everybody's thinking."

Mr Sproat met Mr Eric Nevin, general secretary of the Merchant Navy and Airline Officers' Association on Wednesday and will also invite views from the National Union of Seamen and the General Council of British Shipping, the shipping industry's representative body.

The GCBS has been pushing the government for fiscal allowances to stimulate new investment at a time when Britain's merchant fleet is declining. It intends to step up its pressure after the Government has had to call on the services of more than 40 merchant ships to accompany the task force.

The cost to the government in requisition and charter fees to shipping companies has so far totalled around £50m. Compensation for loss of business is also being discussed and Mr Sproat said a statement was likely on this next week.

QE2 in drive to win back customers

A £70,000 advertising campaign—involving full-page spreads in national newspapers—is to begin this weekend with the aim of boosting trade for the Cunard luxury liner QE2 which returned to Southampton a week ago after being requisitioned for the Falklands.

The use of the liner as a troop ship came just after Cunard had ploughed through the bulk of a QE2 marketing campaign costing over £500,000.

Ferrer urges 'assault' on economic policy

BY HUGH O'SHAUGHNESSY IN BUENOS AIRES

NATIONALIST PRESSURE is growing rapidly in Argentina for an abandonment of the monetarist policies followed by successive military presidents since the coup d'etat of 1976, and there are reports, so far unconfirmed, that Professor Roberto Alemann, the Economy Minister, has tendered his resignation.

A spokesman from the Economy Ministry said yesterday that he could not comment on the reports. Dr Alemann is understood not to have been informed by the military junta of their plans to invade the Falklands on April 2 and to have been persuaded not to tender his resignation at the time.

The forecast of a major revolution in official economic thinking, if not changes in the Government itself, have been strengthened by the angry anti-Government rioting in Buenos Aires on Tuesday night.

In economic turmoil, Dr Aldo Ferrer has emerged as the most hard-hitting and articulate spokesman of that nationalist view of economic policy, which in one form or another has been struggling with an orthodox Manchester school view of economics ever since Argentina secured its independence from Spain more than a century and a half ago.

A small, precise and fast-talking man, Dr Ferrer, with superb timing, has just published "Postwar," which is an up-to-date synthesis of the view-point of economic nationalists in light of the conflict with Britain.

Dr Ferrer himself is one of the best known of Latin American economic thinkers and, unlike many of his sympathisers, has had experience of economics outside the often hallucinatory world of Argentine government and business.

After studying for his doctorate in Buenos Aires he went to the UN headquarters in New York as an economist in 1950, returning to Argentina in 1953 to join a group of advisers of the then president Arturo Frondizi.

Thereafter, he did a spell as economic counsellor in the Argentine embassy in London.

In 1970 he joined the Cabinet of General Levingstone, subsequently becoming Economy Minister for a brief period.

Since then he has become a freelance economic consultant for such bodies as the UN Economic Commission for Latin America and the Andean Pact.

"Postwar" gives a series of clues to the possible future of economic policies in Argentina. In his book, Dr Ferrer calls for a "frontal assault" on present economic orthodoxy which, he said, "castrates every possibility of the state overseeing the distribution of resources and the distribution of income."

He begins by calling for exchange control as "an indispensable requisit for a change of direction." He then postulates the immediate mobilisation of the private sector. The prime objective he says is not to push up the amount of goods and services produced by the state, but the supply of wage-goods and intermediate goods produced by the private sector.

He adds: "The basic instruments for the attainment of these objectives are wage rises and a reduction in interest rates. The first will bring about an increase in demand for food, drink and semi-durable goods such as clothing and shoes. The second will stimulate the formation of companies' stocks and the demand for consumer durables and housing." As a result idle capacity will be put back to work, he argues.

The Argentine economy, he goes on to say, is not operable at present interest rates. "In activities essential for reconstruction and growth, rates must probably be subsidised."

Officers use lessons of conflict in fight against naval cuts

BY DAVID TONGE, DIPLOMATIC CORRESPONDENT

NAVAL commanders have already started pressing the Ministry of Defence to reverse the cuts decided on in last year's Defence White Paper, according to one office involved.

The Ministry has soon to publish the 1982 White Paper which has been held back because of the Falklands crisis, and the Royal Navy is determined to ensure that it is revised to include what it sees as some of the lessons of the crisis.

Naval officers say the Royal Navy is insisting on three main points:

- Britain should keep a three-carrier force, scrapping the sale of HMS Invincible to Australia. Officers argue that the Falklands crisis has shown that two carriers are not enough as servicing requirements mean that for one-third of the year only one would be available.

They underline that, if the crisis had been two months earlier, or two months later, Britain would only have been able to send one carrier to the Falklands because the other would have been in the process of being refitted.

- Retention of at least 50 and preferably 55 operational destroyers and frigates. Last year, the Defence White Paper foresaw the force being cut to 42 by 1985. After the loss of four destroyers and frigates in the Falklands, Britain now has 51 operational destroyers and frigates.

The Royal Navy has long been arguing that it needs at least 50 such ships to fulfil its Nato commitments.

On this it has had the strong backing of the U.S.

Admiral Harry Train, the former head of the navy and Chief of Defence Staff, argues that if the Falklands crisis had come in three years' time Britain would not have been able to muster the task force it needed.

He also estimates that Britain will now need to devote between four and six ships to defence of the Falklands, insisting that 55 rather than 50 will be the required number of operational destroyers and frigates.

- A restitution of mid-life modernisation of ship weapons systems as part of a general continuing process of modernisation of ship weaponry. Ship hulls last an average of 25 years, whereas weapon systems become obsolescent in about ten, according to Admiral Lord Hill Norton. However, he criticises the Government for last year's cancellation of mid-life "facelifts" in order to save money.

The navy also says that it will have to retain the dock support necessary for this fleet. In this context it argues that at least half of Portsmouth naval yards should be kept open—instead of being closed with Chatham as last year's Defence White Paper argued.

All these points were forcefully made by the navy last year. Admiral Sir Henry Leach, the Chief of the Naval Staff, used his right of direct access to the Prime Minister four times in one month last year to put the navy's case across—twice in writing and twice personally.

Mr Keith Speed, the Minister of the Navy, resigned in support of the navy's case.

Despite this, last year the navy's share of the cutbacks was much greater than that borne by the other services. When the present Government took office the navy had a total of about 98 warships. Two months ago it was down to 86 and the White Paper set the seal on a continuing decline.

The navy is arguing today that the Falklands crisis has not changed any of their arguments, and has shown in "a sharp and specific way," as one officer puts it, that they had been right all along.

But the need to publish this year's White Paper means that the Government soon has to see whether the admirals can prove as tough on land as they have been in the South Atlantic.

U.S. may oppose 'fortress' on islands

By Anatole Kaletsky in Washington

THE U.S. STILL hopes that Britain will eventually offer Argentina some role in the future of the Falklands and the Administration will oppose any British attempt to turn the islands into a military fortress, according to Administration officials. But officials see no scope for active U.S. diplomacy on the Falklands crisis in the near future.

There is still a deep rift in the Reagan Administration between the "Atlanticists," who emphasise the primacy of the alliance with Britain and the "hemispherists," who want to act forcefully to rebuild relationships in Latin America.

One issue that could bring this split to the surface, now that Argentina has been defeated, would be a British demand for help in maintaining its Falklands garrison.

The agreement between Britain and the U.S. over refuelling facilities on Ascension Island could become a major irritant for the hemispherists unless some steps are taken to placate Argentina in the coming weeks.

Neither the U.S. nor Britain wants to emphasise publicly the importance of U.S. material support in the British victory, to avoid stirring up further anti-U.S. feeling in Latin America.

But privately both American and U.S. officials concede that U.S. assistance with refuelling and intelligence were particularly crucial for Britain.

The U.S. nevertheless has been extremely impressed by Britain's military performance. The combination of Britain's military efficiency and Argentina's lack of political and military co-ordination has in itself strengthened the hand of those officials who supported Britain. Until there is a political reconstruction of some kind in Argentina, it will be difficult for the hemispherists to point to any tangible objectives for U.S. diplomacy.

The conciliation offers made to Argentina before the fighting began are no longer regarded as relevant. But the U.S. is repeating to other Latin American countries that its support for Britain was limited to the issue of Argentine aggression.

The U.S. differs strongly from the Thatcher Government on the question of sovereignty, which it considers to be still open.

East Europe says conflict unresolved

VIENNA — Moscow's East European allies, reaffirming their support for Argentina's sovereignty claim over the Falkland Islands, said today Britain's military victory had far from solved the dispute, reports Reuter.

The Czechoslovak Communist Party daily newspaper Rude Pravo said a stationing of international troops on the Falklands, as suggested by Mrs Margaret Thatcher, the British Prime Minister, would make the islands a "significant base" of the North Atlantic Treaty Organisation (Nato).

Bulgarian newspapers said the issue was far from solved after what they called a "temporary armistice" in the South Atlantic.

Uruguay acts as go-between

MONTEVIDEO — White hospital ships painted with vivid red crosses have become regular visitors to Montevideo since British forces launched their successful assault to recapture the Falkland Islands.

One or two British hospital ship make the 1,100-mile trip to the Uruguayan capital each week, carying wounded from the fighting.

After the four-day passage through the stormy waters of the south Atlantic, the British casualties are transferred to a waiting Royal Air Force transport plane to be flown home via Ascension Island and Dakar.

The operation has been repeated so many times that it has become almost routine and the casualties find themselves on a homebound flight within hours of arrival.

Although fighting in the Falklands ended with the surrender of Argentine forces on June 14, several more boatloads of British casualties are expected to pass through Montevideo.

The passage of hospital ships highlights Uruguay's role as a neutral party in the Falklands conflict and has enhanced its international image as a humanitarian intermediary.

Uruguay is anxious for a peaceful and lasting settlement to the territorial dispute to guarantee its own security.

Although its right-wing military Government publicly supports Argentina's claim to sovereignty over the Falklands, many officials have privately expressed alarm over Argentina's sudden move to take the territory by force.

Uruguayans are mindful that their own small country began its existence as a breakaway province from Argentina in the early 19th century.

Although the Uruguayan Government has given verbal support to Argentina, it has strictly forbidden any acts "which imply direct or indirect cooperation in the preparation or execution of hostilities."

Indeed the Government has offered every possible facility to act as a humanitarian go-between in minimising the damage of war and bringing the two sides together.

As well as providing a transit point for British casualties it has served as neutral ground for exchanging prisoners.

The first handover took place on April 3, the day after Argentine forces occupied the Falklands and took the colonial governor, Rex Hunt, prisoner with his garrison of about 80 Royal Marines.

The Governor, his family and the defeated soldiers were flown to Uruguay immediately and handed over to the British Embassy.

During the course of April, 189 British prisoners and evacuees from the Falklands and the outlying dependency of South Georgia passed through Montevideo on their way to London.

The Hotel Carrasco, a palatial Edwardian building in a beach suburb of Montevideo, became a luxury transit camp for this stream of people, surrounded by heavy security.

In May, when the British task force went into action, the flow of prisoners was reversed.

By June 15, 1,264 Argentine prisoners had arrived in Montevideo by sea and air to be loaded into river transport vessels and ferried across the River Plate to Argentina.

Over 1,000 of them arrived in Uruguay aboard the British support ship Norland, a requisitioned North Sea ferry which was turned into a floating prisoner of war camp.

From the outset of the Falklands conflict, Uruguay offered itself as neutral territory where British and Argentine representatives could meet to negotiate a settlement.

Such talks on Uruguayan soil have not so far materialised, but diplomatic sources said they might well do so in the future.

The sources said Uruguay would be an attractive venue for any future talks on the Falklands because it enjoys the confidence of Britain and Argentina.

Uruguay has close relations with Argentina for historical, cultural and economic reasons, and also has a long tradition of good relations with Britain.

Until regular air services from Argentina to the Falklands were started in 1972, the islands relied on a monthly supply boat from Montevideo for contact with the outside world.

Reuter

WORLD TRADE NEWS

Sproat to challenge Norway over offshore protectionism

BY ANDREW FISHER, SHIPPING CORRESPONDENT

BRITAIN WILL press for more UK offshore supply ships to be allowed into Norway's sector of the North Sea when the shipping ministers of both countries meet in Oslo today.

Mr Iain Sproat, Britain's Shipping Minister, said yesterday there was "a grotesque imbalance" in the number of offshore vessels working in each country's oil exploration areas.

Norwegian ships have over a quarter of the market on the UK continental shelf, while there are rarely more than one or two British vessels in the Norwegian sector.

When Mr Sproat meets Mr Arne Skauge, Norway's Minister for Trade and Shipping, he will try to find out whether directly or indirectly, overtly or covertly, the Norwegians practise a protectionism they are very critical of in other people in other spheres."

In the British sector of the North Sea, there are 71 UK supply vessels to 47 Norwegian against one British to 57 Norwegian in Norway's sector.

"That," said Mr Sproat, "is a statistical discrepancy which is no mere fluke." He will ask Mr Skauge to state publicly and clearly that Norway is strongly against any form of protectionism in its own North Sea sector.

If any covert protectionism exists below the official policy-making level, he will ask Mr Skauge that this be uncovered and stopped. If it is a question of different technical standards or specifications, then Mr Sproat will suggest that both countries' officials meet to sort these out.

Also, concerning Mr Sproat are the problems likely to arise for supply boat operators in the UK sector of the North Sea from the large number of new vessels being built for Norwegian and other foreign owners.

He quoted figures yesterday showing that Norwegian companies were building 73 supply ships to Britain's 29, with West Germans building nine, the French 14 and the Dutch 12. "The Norwegians are well out of step with everybody, not just with ourselves."

Mr Sproat said the General Council of British Shipping had complained to the Government on the offshore issue.

The British Government did not believe in counter-protectionism, he added.

EEC urged to avoid steel conflict with U.S.

STRASBOURG — The European Parliament yesterday approved a resolution urging the EEC's Council of Foreign Ministers to avoid conflict between European and U.S. steelmakers. The ministers are to meet in Luxembourg on Monday and Tuesday.

M Gaston Thorn, the commission's president, said earlier this week that the U.S. decision to impose countervailing duties on European steel contradicts "the letter and spirit" of conclusions reached at the Versailles economic summit.

But he said the Community "must avoid falling into the trap of taking ill-considered and hasty measures" against the U.S.

His comments came during a debate on the steel issue in the European Parliament, which on Wednesday approved a resolution saying the U.S. measures "contradict the declarations of intent" adopted at Versailles less than two weeks ago.

That also asked the Community's Commission and Council of Ministers "not to take retaliatory measures but to bring pressure to bear at the highest level to ensure that decisions which so blatantly contradict declared intentions are suspended." AP

Poznan trade fair is shadow of former self

BY CHRISTOPHER BOBINSKI IN WARSAW

THE 54TH ANNUAL trade fair which opened in Poznan this week for ten days is a pale shadow of its former self, with more than 35 per cent of the once-scarce exhibition space vacant.

But most of the 600 Western exhibitors who have decided to attend despite the fact that Poland's imports from the West are 43 per cent down so far this year, report they are still doing a fair level of business.

Others feel it is important to fly the flag in the hope that, as Mr Richard Derkacz of Coles Cranes of the UK says: "We'll be in a better position when an improvement comes."

The West Germans, despite a 65 per cent drop in the numbers of companies present and no official Government representation are still much in evidence. They are occupying twice as much floor space as the Soviet Union, whose exposition at the fair is also smaller than Austria's.

This emphasises the fact that despite the talk of the Soviet bloc levelling out the effects of Western sanctions, Comecon deliveries so far this year are falling behind plan.

By the end of May, with 41.4 per cent of the year gone, only 36.8 per cent of Poland's Soviet block deliveries had arrived. Poland was doing a little better having expedited 37.6 per cent of this year's deliveries to its Comecon partners.

But, as for trade with the West, some Western businessmen at the fair say that, if anything, it has become a little easier than last year.

One representative of a major Western chemicals company which has decided to retain its office in Warsaw says that it was difficult to get firm commitments from the Poles in the second half of the last year.

"There was a lot of indecision, shifts of policy on what to do with the available credits; chaos even," he says.

Mr Andrew Wielanier, of Swedish Atlas Copco, which sells pneumatic equipment, places some hope in new regulations decentralising import decisions to the level of the individual enterprise.

Since the beginning of the year, the Government has been issuing permits to individual enterprises which enables them to decide how to spend a percentage of their hard currency earnings.

In previous years, all hard currency earnings went into a central fund and permission had to be obtained for the slightest of imports. Now import licences have to be obtained but the procedures are simpler.

So far this year, 738 enterprises have been given permission to open bank accounts for these funds. On average, each company is being allowed to keep back one-fifth of annual earnings.

Mr Tadeusz Nestorowicz, the Foreign Trade Minister estimates that this year some Zlotes 60bn (£416m) will be available in this way for purchases of spare parts, raw materials and components.

Total hard currency earnings this year are not expected to exceed $5bn.

Mr Wielanier, for example, has been told by a buyer from one of Poland's major car works: "This year at least we know where we stand; we have a certain amount of money we can spend as we see fit."

This should make things easier for a company like Coles Cranes which is keeping seven spare parts depots in Poland open with about £1m worth of parts in the Warsaw depot alone.

Coles have sold 370 cranes to Poland since 1959, some 85 per cent of them in the 1970s and they do not expect to be selling any new capital equipment for several years.

Italian Government attacked over gas price talks

BY JAMES BUXTON IN ROME

ENI, the Italian state energy concern, has launched a thinly veiled attack on the Government accusing it of being too conciliatory in negotiations with Algeria on gas prices. Its action echoes a recent row in France over the price of Algerian gas.

Earlier this week Sig Icola Capria, the Foreign Trade Minister, returned from talks in Algiers declaring that an agreement on the price of gas from the trans-Mediterranean pipeline was close. More negotiations take place in Rome next week.

No gas had flowed through the $3bn (£1.6bn) pipeline since it was completed in late 1980 after Algeria asked to renegotiate its 1977 agreement with Italy on the price. It wanted to secure a price linked to that of an equivalent calorific value of oil, as it has sought with other customers.

The maximum that SNAM, the gas subsidiary of ENI, is prepared to offer is $3.81 per million British Thermal Units (BTUs) of gas, against an Algerian demand of $5.12. Because of the deadlock on the issue between the respective gas companies, negotiations are now being handled at government level.

In yesterday's statement, ENI claimed that the Italian negotiating team under Sig Capria had been flexible, while the Algerians had given no ground. It is believed that the ministerial team has already raised the Italian offer to $4.01 per million BTUs.

ENI said yesterday that even a price of $3.81 would be barely economic. Its subsidiary SNAM has no wish to have its financial stability weakened by paying an uneconomic price, even if it were to receive a government subsidy for doing so—a possibility which Sig Capria has already voiced publicly.

ENI said that the price the French Government recently agreed to pay Algeria for gas—some $5.12 per million BTUs—involved a French Government subsidy to the reluctant gas utility of $0.69.

The agreement for which the Mitterrand Government has been fiercely criticised, is for liquefied gas, which had involved the Algerian Government in far higher capital costs than the Italian project, which does not include liquefaction.

The French deal was linked to large contracts in Algeria for French companies, and Sig Capria wishes to reach the same kind of agreement for Italy.

Shell accused of shipping oil to South Africa

BY WALTER ELLIS IN AMSTERDAM

ROYAL DUTCH SHELL, the world's second-largest oil company, has been accused by an anti-apartheid group of continuing to play a vital role in the provision of oil to South Africa despite a three-year-old ban on such trade by the Organisation of Petroleum Exporting Countries (Opec).

The embargo has twice been endorsed by the General Assembly of the United Nations.

According to the latest findings of the Dutch-based Shipping Research Bureau, ten out of 52 tankers considered "most likely" to have delivered crude oil to South Africa between January, 1980 and June last year were owned or chartered by Shell.

A further nine ships linked to the company may have delivered oil, the bureau says, and Shell's three trans-shipment terminals in Rotterdam, Singapore and the Dutch Antilles are each said to have been involved in the provision of supplies.

Shell is 60 per cent Dutch, and the Netherlands is once again revealed by the bureau as one of Pretoria's chief points of contact. Two more Dutch companies, Transworld Oil and Vitol, are alleged to be major South African suppliers, with Transworld equalling Shell's total of tankers and Vitol providing six.

The Netherlands has been talking about a unilateral oil embargo on South Africa for the last two years, but despite continuing pressure from anti-apartheid groups, the governments of Mr Dries van Agt have shown no willingness to go it alone.

Non-Dutch oil companies said by the Shipping Research Bureau to be likely suppliers of oil to South Africa are British Petroleum, Kaiser of the U.S. and Petromed of Italy. Shipping companies suspected of involvement are Havtor of Norway, Moeller of Denmark and Sanko of Japan, all of which have declined to comment.

Shell, for its part, denies breaking the Opec embargo, responding to an inquiry from the bureau about a vessel which apparently delivered oil to South Africa from a Far Eastern trans-shipment terminal, the company replied that "in no case" had one of its tankers transported oil "contrary to a destination restriction imposed thereon."

The only oil exporting country known not to embargo oil to South Africa is Brunei, the British associated state in Borneo.

Despite this denial, the bureau says that crude oil transhipment centres owned by Shell appear to play an important role in the flow of oil to South Africa.

Some of the 52 ships considered "most likely" to have delivered the oil sailed directly from the Curacao oil terminal in the Dutch Antilles, which is 90 per cent owned by Shell.

Shell also owns important facilities in the trans-shipment terminals of Singapore and Rotterdam, and the bureau quotes one example of a supertanker which sailed from the Shell terminal in Rotterdam to South Africa loaded with over 150,000 tonnes of crude.

Norway is the other country which appears, according to the bureau, to be giving South Africa most assistance with its oil supplies.

Although Oslo has banned the sale of Norwegian oil to South Africa, it does not prevent Norwegian shipping companies from carrying oil produced elsewhere and nearly half of the 52 "most suspicious" tankers are said to have been Norwegian-owned and flying the Norwegian flag. Denmark, the UK and the U.S. are also mentioned.

Liner conferences code ratified by 53 countries

BY BRIJ KHINDARIA IN GENEVA

THE NEW code of conduct for liner conferences, which will regulate world merchant shipping, has been ratified so far by 53 countries representing 20.6 per cent of liner tonnage.

Although none of the European Community's members have ratified the code, they have agreed to join and it will become operational as soon as the necessary legislative processes are completed to take the share of liner tonnage to 25 per cent.

The code will affect shippers operating through liner conferences and is expected to open the way for more participation by Third World fleets.

A 100-nation meeting of the Shipping Committee of the United Nations conference on trade and development (Unctad) will soon study plans for a model code on maritime legislation as well as measures to combat fraud.

Money supply on target as M3 rises by 1.1%

BY ROBIN PAULEY

THE GROWTH of the money supply remained well within the Government's target ranges in banking May, the four weeks to May 19.

Sterling M3, the broad measure of money supply, rose by 1.1 per cent, seasonally adjusted according to Bank of England figures published yesterday. This compares with a rise of 0.5 per cent in banking April.

The broad measure of private sector liquidity PSL2 (covering sterling M3, building society deposits, national savings and money instruments), rose by 10.1 per cent. This still represents uncomfortably strong demand from the private sector, but the May figure of £1bn is a substantial reduction on the exceptionally high March figure of £2.2bn, and £1.9bn last month. Corporate lending may not be unduly excessive within this total, but a persistently strong personal sector, driven by mortgages and car purchases, is still causing anxiety in some quarters.

The narrow money measure M1 (covering notes and coin plus current account deposits) is growing remarkably slowly. One explanation for this may be a gradual switch from cash to payment by cheque and credit card.

May was the first month since October in which the banking figures showed a net expansion. Since October, gilt sales have either more than covered the borrowing requirement for the month, or the public sector has repaid more than it has borrowed to put its monthly borrowing requirement into surplus.

Central government, for example, has been in surplus every month between January and May because of the collection of tax receipts. May was the transition month to deficit, and this partly explains some of the fall in private sector borrowing which is high in those months when tax payments are made, putting the Government into surplus.

Gilt sales for the month — £380m — were higher nevertheless than expected by those City analysts who thought the Falklands crisis would stop sales. National savings at £90m were well down, reflecting the unattractiveness of this instrument since the cut in the rate of return in the Budget — which was not then followed by falling interest rates.

Banking May produced some sharp changes in the external and foreign currency finance figures — a significant contractionary factor of £760m. UK residents' sterling deposits have fallen and overseas residents and banks have built hefty sterling reserves. The large switch into sterling by foreign banks appeared to have no basis in the foreign exchange markets, although sterling was never under any great pressure. The sterling-dollar rate in Banking May moved between 1.7720 and 1.7985 whereas the effective rate moved from 89.9 to 89.6.

The Government's target range for the three aggregates sterling M3, PSL2 and M1, is between 8 and 12 per cent for the 14 months from mid-February 1982 to mid-April 1983.

MONEY SUPPLY
(percentage rises)

	May	1981-82
£M3	1.1	9.75
M1	0.6	6.25
P SL 2	0.7	10.1

Source: Bank of England

Mobil raises petrol price by 8.5p a gallon

BY RICHARD JOHNS

MOBIL yesterday took the lead in announcing higher petrol prices. Its four star petrol will go up by 8.5p a gallon to nearly 178p from tomorrow.

This move will be followed by other oil companies in the next few days in the second round of increases within a fortnight.

Mobil said a poor trading performance decline in the exchange rate of sterling against the dollar were the main reasons for the rise. In the first quarter of 1982 the company lost £54m and foresees little prospect of better results in the second.

Its rates for other products will go up proportionately with light fuel oil, for instance, up more than 3.5p to 84.75p per gallon.

In a related development British Petroleum was reluctantly accepted the decision by the British National Oil Corporation to raise the price of North Sea crude by $2.50 to $33.50 for June.

BP and Shell, which obtain most of their UK oil from the North Sea, had held back their acceptances to try to modify any increase for the third quarter or even negate any further adjustment.

Having accepted the new BNOC price with misgivings Shell announced higher prices for all its products except petrol from today. Esso did the same.

Yesterday the other major oil companies were still calculating the rates they will charge for petrol.

Laid-up merchant shipping doubles in five months

BY ANDREW FISHER, SHIPPING CORRESPONDENT

MERCHANT shipping tonnage laid up around the world for lack of business doubled in five months to the end of April. Idle UK tonnage also rose sharply, but the proportion of the fleet affected was less than that of the global figure.

The General Council of British Shipping (GCBS) said yesterday that 739 ships—of 48.3m deadweight tonnes in all, or 7 per cent of the world fleet—were laid up at the end of April.

That was the greatest amount since September 1978 and was a rise of 49 ships, 6.9m dwt in all, from the level at the end of March. At the end of November last, 22.7m dwt were laid up.

The UK fleet's idle tonnage increased over the month from 1.8m dwt to 2.1m, representing 6 per cent of the fleet. Most of the laid-up tonnage was in tankers.

Reflecting the prolonged malaise in tanker markets, 12 per cent of global tanker tonnage was idle—302 ships of 42.8m dwt against 276 of 36.4m the previous month.

Call for free choice in home insurance

By Eric Short

THE BRITISH Insurance Brokers' Association (BIBA) has called on Sir Gordon Borrie, Director-General of Fair Trading, to use his legal powers to ensure that building societies allow house-buyers freedom of choice, both of insurer and insurance intermediary.

In a submission today to the Office of Fair Trading (OFT) BIBA accuses the majority of building societies of ignoring the agreement between the OFT and the Building Societies' Association (BSA) to give house-buyers the freedom to arrange their own insurances when buying a house.

BIBA says it has investigated more than 500 complaints from the public of restrictions imposed by building societies in the choice of insurer and appointment of an insurance intermediary. BIBA aproached 100 societies about the OFT/BSA agreement and only 20 mostly small ones, said that they followed the agreement.

BIBA claims the response from the other societies varied from "This Society is not prepared to discuss its terms of business" to "The agreement was merely a piece of public posturing by the OFT."

BIBA's submission was prepared before the announcement by the OFT this week that the Halifax Building Society, the largest in Britain, had agreed it would no longer insist that its borrowers take out property insurance through the society. Mr Michael Morris, director-general of BIBA, welcomed the decision but condemned the charge made by Halifax to such borrowers to cover administrative costs.

The second part of BIBA's submission is that such a fee is unnecessary. Insurance brokers are willing to undertake to advise building societies on all relevant aspects of insurance and to keep societies up-to-date on all necessary information.

BIBA also contested the claim by building societies that the commission received enabled them to reduce the mortgage rate by ¼ per cent. It points out that the banks do not insist on retention of the insurance agency, yet remain competitive.

Deputy chief of Stock Exchange resigns

By Alan Friedman

MR JOHN WATSON, deputy chief executive of the London Stock Exchange, resigned yesterday to join the London-based investment bank being set up by the Scandinaviska Enskilda Banken (SEB).

Mr Watson who was responsible for organising the Stock Exchange's Talisman computerised settlement system in 1979, is to become an executive director at SEB, in charge of administration.

His resignation comes two weeks after the departure from Hambros Bank of seven senior executives who also joined the SEB project. It will have an initial capital injection of £15m.

Mr Watson's departure from the Stock Exchange is the second top management change this year. In February Mr Jeffrey Knight was appointed chief executive, succeeding Mr Robert Fell, who has become commissioner for securities and commodities in Hong Kong.

Shortfall predicted in housing expenditure

BY ANDREW TAYLOR

TOTAL CAPITAL expenditure on housing by local authorities is forecast to rise by 16 per cent in 1982-83, according to a survey of spending plans of more than 360 local authorities published yesterday by the Royal Institute of British Architects. This is less than half the 33 per cent increase sought by the Government, which has threatened to reduce local authority budgets if housing targets are not met.

Mr John Stanley, the Housing Minister, last week warned that future housing allocations to councils would depend on "the ability and willingness of authorities to make full use of the resources available to them." Councils would need to increase housing expenditure by more than a third if they were not to underspend on projected housing budgets in 1982-83.

However, the institute's study of councils' spending intentions, carried out in February and March, reveals that local authority expenditure on new housebuilding was expected to rise by only 9 per cent in 1982-1983. Spending on rehabilitation of existing houses was expected to rise by 25 per cent, giving a total rise of 16 per cent.

The institute blamed uncertainty created by the Government's "stop-go" housing policies for council underspending.

"Last year councils faced penalties for overspending while this year the threats are for underspending. The Minister cannot expect efficient construction work and good architecture if he keeps kicking local authorities in different directions," said Mr Henry Swain, of the institute's study team.

The Government has become increasingly concerned about local authorities' failure to take full advantage of spending allocations and additional sums now available for housing investment programmes raised as a result of council house sales and land disposals.

Mr Stanley last week estimated that in 1981-82 housing authorities had underspent by more than £400m against expenditure allocations plus housing receipts. He said that local authorities in Great Britain should be able to spend about £3bn on housing investment in 1982-83 — some £650m more than they spent in 1981-1982.

Work started by local authorities on new housing projects has increased dramatically in recent months. Public sector new housing starts during the first quarter of this year were almost 75 per cent higher than in the first four months of 1981.

The rise in starts compares with a very depressed period in 1981 when housebuilding activity had been curtailed by a Government moratorium on the letting of new contracts by councils, the institute said.

Councils have blamed last year's low spending on the moratorium, which sapped investment confidence; difficulties in anticipating the likely level of proceeds from housing and land sales, and fears that future Government spending cuts could hit programmes to which authorities were already committed.

Local authorities were also asked about capital expenditure plans for building work in other sectors. They expected to spend about 14 per cent more on education and 17 per cent more on building work for social services in 1982-83.

Hillingdon discrimination inquiry ruled out

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE COMMISSION for Racial Equality cannot carry out a wide-ranging investigation into the housing policies of the London Borough of Hillingdon, the House of Lords ruled yesterday.

The commission's terms of reference for its investigation were far too wide, said Lord Diplock. Although they stemmed from the commission's belief that the council was discriminating against immigrant families who had arrived at Heathrow Airport, the terms would allow an inquiry into the council's housing policy as a whole, including the treatment of ethnic minorities already in the borough.

The 1976 Race Relations Act required the commission to have formed the belief, and to state it in its terms of reference, that the council had committed, or might be committing, specified discriminatory acts.

The commission had admitted that it had no belief that Hillingdon council might have discriminated against homeless persons, other than immigrant families who had arrived at Heathrow.

Nonetheless, its terms of reference for its investigation stated its belief that the council might have been discriminating on racial grounds against all homeless persons in the borough.

Racial discrimination was generally covert, easy to dissemble and difficult to expose, said Lord Diplock. But the commission could not "throw the book" at someone, without giving particulars of the discriminatory acts he was believed to have committed.

The commission's appeal against a Courtof Appeal decision to block the investigation was dismissed with costs, estimated at £50,000.

Lord Diplock said that Hillingdon had long been aggrieved by the fact that, because Heathrow happened to be within the borough, local ratepayers had to bear the burden of housing homeless immigrants who arrived at the airport.

To attract publicity to this grievance, a councillor had "indulged in the heartless gesture" of collecting an Asian family from Heathrow and dumping it at the Foreign and Commonwealth Office. The treatment of that family had contrasted with that accorded by the council to a family of English origin, which had arrived from Rhodesia and for which housing had been provided. That was what had led the commission to believe there was racial discrimination by the council in the provision of housing, said Lord Diplock.

The commission said yesterday that, while it was disappointed that the House of Lords had not upheld its appeal, the judgment had provided a "broader and clearer interpretation" of the commission's powers and therfore had been most helpful.

It said it still was able to conduct an investigation into the treatment of people who had arrived at the airport and would make a decision next month on whether to do so.

Mr John Watts, the leader of Tory-controlled Hillingdon council, said: "The judgment is a complete vindication of the action over the past four years to clear the council's good name and that of its members and officers."

Threat to small businesses at Covent Garden

By Lisa Wood

ABOUT 40 small businesses may lose their premises in Covent Garden, London, if legal action by the Royal Opera House and the Arts Council, the landlords, succeed. The action is being taken because the opera is short of space, although it is completing a £9m extension.

The small businesses include photographers, illustrators, artists and printers. They have occupied the Floral Hall Cellars, which are next to the Opera House and might be redeveloped in the Opera House's final, phase three, development, which has not been finalised.

The leases on the Cellars, held by five tenants, expired in April. The Royal Opera House, which manages the building on behalf of the Arts Council, has refused to renew them because, it says, it needs the space for storage.

Tour groups reintroduce no-surcharge guarantees

BY JAMES McDONALD

TWO PACKAGE tour operators British Airways' Enterprise Holidays and Laker Holidays, part of the Saga Holidays group—yesterday surprised the travel trade by reintroducing no-surcharge guarantees with their winter holidays.

These guarantees have been virtually absent from the trade for several years.

Laker Holidays, which was acquired by Saga in February for £500,000 after the Laker crash, is offering about 80,000 holidays this winter and Enterprise Holidays 63,000.

The Laker Holidays' offer of no surcharges related to fuel or currency changes applies if payment is made in full by the holidaymaker within two weeks of receiving holiday confirmation and invoice. Enterprise Holidays says brochure rates will not change throughout the season, regardless of inflation or rising fuel costs.

A Saga Holidays feature which has been introduced to the Laker programme is discounted prices for payment three months or more in advance of the date of travel. The discount will vary, depending on how far in advance payment is received. For example, a holiday for next March, booked this month — nine months ahead — qualifies for a 9 per cent discount. Prices also include airport taxes and insurance, with medical cover for £50,000.

Enterprise and Laker are also featuring free holidays for children, and single-parent holidays. Enterprise appears to be moving into what has long been the Saga speciality, discounts on many holidays for senior citizens.

RTZ integrates cement industry operations

By Duncan Campbell-Smith

RIO TINTO-ZINC Corporation, the international mining group, has unveiled further plans for its cement industry interests, acquired through the purchase earlier this year of Thos W. Ward and Tunnel Holdings.

Mr Peter Frost, chairman and managing director of Ward, yesterday resigned from the board, and it was announced that Mr Derek Birkin of Tunnel will head the two companies' cement operations, now in the process of being integrated.

RTZ refused to comment on the compensation paid to Mr Frost, who said the parting had been "entirely amicable."

The corporation, which also yesterday appointed three new directors at Ward, said: "It had become apparent during talks over recent weeks that there would be one top job rather than two" and Mr Frost had decided to leave.

Plastic cards 'may replace cheque books'

BY ALAN FRIEDMAN

THE CHEQUE BOOK may become unnecessary as plastic cards and bank automation develop in the UK, says Mr Derek Vander Weyer, chairman of Barclays Bank UK.

He outlined his vision of the future economics of retail banking yesterday in a speech at St Andrews during the Institute of Bankers' 35th international summer school.

Among the key points made by Mr Vender Weyer were that:

- For everyday borrowing the plastic card will eventually be pre-eminent — coupled with machinery such as cash dispensers.
- Customers may be able to key in their loan requests to machines.
- Banks must develop a greater presence at retail outlets through point-of-sale terminals or possibly automated teller machines "in order not to surrender this market."
- One outcome of automated personal lending is that it will be largely unsecured.
- There might be a change in the fiscal status of building societies, leading to legislation which allows them to compete directly with other institutions in all forms of consumer finance. "Such a development could only be healthy for the whole market," he said.

Mr Vander Weyer said that despite fewer working people being paid in cash—the proportion has dropped from 75 per cent in 1969 to 44 per cent in 1981—the "cashless society will remain a myth for as long as we can see."

He said UK banks had been reluctant to meet customer needs by longer banking hours. "If banks are to offer retail banking, they should be open during retail hours." Apart from opening on Saturdays, banks could also achieve this by developing lobby banking through the use of new machines.

Mr Vander Weyer said the only way relatively high rates of interest on current accounts would be possible when accounts were based on plastic cards rather than cheque books.

Monopolies probe into London Electricity

By David Churchill.

THE LONDON Electricity Board's retail activities are to be investigated by the Monopolies and Mergers Commission to determine whether the LEB operates its high street showrooms against the public interest.

The investigation was formally referred to the commission yesterday by Sir Gordon Borrie, director general of fair trading. It followed April's report by the Office of Fair Trading that the LEB was consistently running its retail showrooms at a loss and failing to reflect the true costs of its operation in selling electrical appliances.

Independent retailers had complained to the OFT that this gave the LEB—the largest of the area electricity boards—an unfair advantage.

The investigation will be carried out under section five of the 1980 Competition Act, which says that a company found to be carrying out an anti-competitive practice cannot be referred to the commission until four weeks after the OFT's report to enable the company to agree to change its trading behaviour. Since the LEB was unable to change its accounting procedures, a reference to the commission was almost a formality.

Consumer Safety Act under review

A REVUE of the 1978 Consumer Safety Act is being carried out by the Department of Trade, it emerged yesterday.

Dr Gerard Vaughan, Minister for Consumer Affairs, told a conference of trading standards officers in Plymouth he was particularly concerned to look at the safety problems of imported goods.

British Rail extends open station scheme

BRITISH RAIL'S experiment with open stations in the north of Scotland is to be extended to 34 stations from Aberdeen to Dunbar on the east coast main line.

In open stations there are no ticket barrier staff, tickets are examined and collected on the train.

Immigration lowest since figures began

IMMIGRATION into Britain is now at its lowest since records began in 1964, according to Government figures out yesterday. The number of immigrants in 1981 was 153,000 — 12 per cent less than in 1980 and the second successive sharp fall.

With 2 per cent more people leaving the country in 1981 than in 1980, the net outflow of 79,000 was the highest since 1974.

Natwest increases loans to 20 years

NATIONAL WESTMINSTER Bank is extending the maximum term for its development loans for businesses and farms from 10 to 20 years. The loans are available for sums up to £250,000.

EEC bank lends Strathclyde £39.2m

THE EUROPEAN Investment Bank — the European Community's bank for long term finance—is lending Sirthclyde Regional Council £39.2m to help finance major road and sewerage schemes. The document for the first £20m was signed in Luxembourg yesterday. Interest on the loan is at 13 per cent over 15 years.

Footwear awards for small companies

THE British Footwear Marketing Award scheme—introduced last year by the Footwear Economic Development Council—has been reorganised this year to give smaller companies more incentives to take part. There will now be two awards in each of three categories in the scheme, one for companies with less than 150 employees and one for companies with more than 150.

Claret prices remain steady

By Edmund Penning-Rowsell

THE SALE of fine claret at Christie's yesterday showed no increase in prices following a recent flood of leading clarets in the two main London wine auction rooms.

But an unusually wide variety of '61s showed the firmness in demand for second-class growths.

Among the best prices per case were; £860 (Palmer), £720 (La Misson Haut-Brion), £420 (Beychevelle and Ducru-Beaucaillou), £360 (Lynch-Bages), £310 (Pape-Clement), £300 (Gruaud-Larose and Leoville-Barton) and £280 (Grand-Puy-Lacoste).

The collection of more than 100 dozen cases of 12 vintages of Cheval-Blanc, from 1959 to 1978, produced good prices. Top prices per dozen were; '62 (£290), '64 (£280), '66 (£360), '75 (£340), '76 (£170 for magnums) and '78 (£160).

The best price of the day was £900 for six magnums of Petrus '75.

Max Wilkinson looks at the Treasury and Civil Service Committee report on Budget strategy

MPs call for wider ranging debate on public spending and tax plans

A MORE open and informed debate on the strategy and tax proposals of the annual Budget is called for in the latest report of the all-party Treasury and Civil Service Committee of MPs.

The report says this would lead to better decisions being taken and wider respect and support for those decisions.

"The arrangements made in the UK, which differ in major respects from those in nearly all other parliamentary democracies, have long been the object of criticism," the report says.

The committee endorses the general principles set out two years ago by a committee on budgetary reform which was set up by the Institute of Fiscal Studies and chaired by the late Lord Armstrong of Sanderstead.

The Armstrong committee criticised the separation of decisions on expenditure from those affecting taxation with the outline of expenditure decisions announced at the end of November and the revenue measures generally announced in the spring Budget.

The committee wanted the Government to publish each December its "whole economic and fiscal strategy" for the following year. This would be a "green" or consultative Budget which could be debated widely inside and outside Parliament before a final decision was taken in the spring.

PROPOSED BUDGET DIARY

NOVEMBER
A Green Book containing:

- **The equivalent of Volume One of the 1982 Public Expenditure White Paper.**
- **An extension of the Industry Act short-term economic forecast.**
- **Projections of yields from the various categories of government revenue over the planning period.**
- **Specific proposals for changes in tax rates and allowances and other major taxation changes.**
- **A set of ready reckoners giving direct first year and full year effects of various possible tax changes.**
- **A short account of implications for the Government's economic policy stance.**

JANUARY
The remainder of the material contained in the Public Expenditure White Paper.
FEBRUARY OR MARCH
The supply estimates for the forthcoming financial year.
MARCH

- **The financial statement and Budget Report.**
- **The Budget resolutions.**
- **The Finance Bill.**

The Treasury committee, chaired by Mr Edward du Cann, published its report yesterday. It says: "We have become increasingly dissatisfied with the nature of timing of the arrangements made for the presentation and scrutiny of the Government's revenue and expenditure proposals."

The committe believes that greater discussion of detailed options would entail, as one witness put it, "conceding more to Parliament than has so far been conceded tothe Cabinet." It acknowledges the possibility that a more open budgetary process might be "a recipe for fiscal irresponsibility."

However, it says the plan might have the opposite effect "with the Treasury's hand strengthened agains tspending departments as spending decisions would betaken with more of an eye on their fiscal consequences."

The committee examined how it might achieve a more open process, having decided in general that this was needed. It considered first whether publication of the White Paper on Expenditure should be delayed until Budget day, as has been the recent practice.

There are, the committee feels, three fundamental weaknesses in current practice:

- There is insufficient time to discuss the hWite Paper proposals before they reach their final form.
- The procedure for voting on the Government's supply estimates prevents Parliament from exercising detailed control.
- The form of the estimates fail to break down expenditure into identifiable programmes, as, for example, the Trident missile programme.

The committee recommends that a summary volume of the expenditure proposals should be published in November with a second more detailed volum to follow in January.

This would give the public more detail about expenditure proposals than the current November statement, which some witnesses said was "disgracefully inadequate."

The committee says the Government should complement this information by publishing in the autumn its proposals for major tax changes in the following year. This should indicate the Government's provisional plans for income and capital tax rates and allowances, and the major indirect tax rates. It should also include discussions and projections of any current tax issues.

The committee says the Treasury should give sufficient information to allow the public to discuss alternatives to the Government's plans. This would include "ready reckoners" providing the estimated yields of different tax changes in the first financial year and in a full year after the changes.

The committee says: "Such information is presumably already available within the Government while the Budget is being prepared. If this information was available it would not be necessary for the Government to put forward alternative policy packages to the one favoured . . ."

The Government should provide in the provisional Budget in the autumn estimates of various components of revenue for future years on stated assumptions.

The committee concedes that these new procedures might mean more work and extra staff for the Treasury, but it says similar practices are adopted in most other Western democracies and it believes the difficulties can be overcome.

It also considered the objection that people might prepare for tax changes once they were published, by, for example, buying advance supplies of drink and tobacco. However, the committee says this happens already to some extent and it does not believe an increase in such activity would outweigh the advantages of wider public discussion of Budget measures.

The committee considered separately the new system of planning public expenditure in cash terms rather than in some form of constant prices or "real" terms. It says it is too soon to say whether the new system has made much difference to the way in which decisions are taken.

On the other hand, it deplores the fact that cash figures for future spending have reduced the information available to the public about the "real" value of services that will result.

It says cash figures should be accompanied by estimates in "cost" terms, which represent the value of the cash after adjusting for inflation. It would like information on the relative movements of different prices within an expenditure programme and of the "volume" of services that can be bought after allowing for general inflation and relative price movements.

The committee says cash limits must be kept under review in case the inflation assumptions on which they are based should prove to be badly astray. However, it rejects the idea that cash limits should be adjusted automatically for any deviation from Treasury forecasts on inflation.

It says, however, that the Treasury has consistently underestimated inflation in settling cash limits by a few percentage points. Such under-estimates have forced a squeeze on spending programmes. It says: "It is, in our view, an inefficient way of planning expenditure to reduce its real value by rather arbitrarily underproviding for inflation rather than making explicit decisions about reductions in the planned volume of programmes.

The committee recommends that the financial year should be changed evetally to coincide with the calender year as is the case in other European countries. However, it says this is a reform which has less priority than its other proposals on budgetary reform.

Budgetary Reform. Sixth Report of the Treasury and Civil Service Committee. H of C paper 137, S.O. £10.90

UK NEWS

Law Lords refuse leave to appeal on Clore tax

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

STYPE INVESTMENTS (Jersey), which is controlled by a Jersey settlement set up by the late Sir Charles Clore, has been refused leave to challenge in the House of Lords an Appeal Court ruling that it can be sued in England by the Inland Revenue for tax due on the Clore estate.

Three Law Lords yesterday rejected Stype's petition for leave to appeal, without requiring the Revenue to argue against it.

The Revenue claims that Stype is liable to pay about £8m capital gains tax on the £20.5m proceeds of the sale of Sir Charles' largest English asset, which were "spirited" to Jersey shortly after Sir Charles's death in 1979.

In April the Court of Appeal held that, although not an executor of the estate, Stype had "intermeddled" in it in such a way as to make it liable to account to the Revenue as if it had been an executor.

The court also said the removal of the £20.5m may have been an attempt to evade tax. It said that the Director of Public Prosecutions should be asked to investigate whether there had been a criminal conspiracy to defraud the Revenue.

The Revenue was given leave to serve its legal proceedings on Stype in Jersey, which is outside the jurisdiction of the English courts.

Mr Leolin Price, QC, for Stype, told the Law Lords yesterday that the "intermeddling" issue was legally important. If the Appeal Court's judgment were correct, he said, difficulties would be caused whenever an absolute beneficiary to an estate died at a time when there were assets either in the process of being sold abroad, or which ought, as a matter of investment policy, to be exchanged for other investments abroad.

Lord Scarman said the movement of money across a frontier could not be dealt with in isolation. Although Stype had an arguable case, it could be dealt with at the eventual trial when the whole matter could be investigated.

Since the Court of Appeal's ruling Stype has made arrangements enabling it to pay the tax claimed out of its own assets in the UK.

No payment has yet been made and it is quite possible that the Official Solicitor brought in by the court to administer the Clore English estate will have to sue Stype for any money he wants.

Earlier this year the Royal Court in Jersey refused to give Stype's directors—Sir Charles's executors and the Jersey manager of Lloyds Bank Trust Company (Channel Islands)—an indemnity against being sued by the Clore estate in Jersey.

The indemnity plea had been opposed by Sir Charles's son, Mr Alan Clore, who is challenging his father's will, and by charities due to benefit under the will.

Lacking that indemnity, Stype's directors may feel it necessary to safeguard themselves by not volunteering money to the Official Solicitor.

Military proposes silicon chip project

BY ELAINE WILLIAMS

PROPOSALS FOR a £30m to £40m research project to develop advanced silicon chips for UK military applications have been put to the Government by the Royal Signals and Radar Establishment (RSRE), the Ministry of Defence's main centre for electronics.

The aim is to develop high-speed electronics to improve accuracy of weapon aiming systems.

Such a scheme would enable Britain to match efforts under the Very High Speed Integrated Circuit (VHSIC) programme started by the U.S. Defence Department in 1980.

The RSRE believes that the project could have commercial spin-offs for the UK electronics industry. The industry has expressed enthusiasm for the project.

Dr Bill Fawcett, head of the physics group at RSRE which develops components, said that any initiative in the military field should be linked to an industrial scheme.

Dr Fawcett said that Mr Kenneth Baker, Minister for Information Technology at the Industry Department, was already considering proposals for a £100m scheme to develop products and components for information technology equipment, but a decision was some way off.

The RSRE has a long record of co-operation with industry on electronics research. Some of its £40m funds are provided by the Department of Industry.

The establishment has shown that it can produce the tiny transistors needed in the next generation of silicon chips. However, it needs investment in capital equipment to produce them in sufficient quantity for testing and further development.

Audit checks on council budgets urged

By Robin Pauley

COUNCIL BUDGETS are the weak link in local authority accountability and should be audited in the same way as annual accounts, a report published today says.

The paper was prepared by Mr Rowan Jones, lecturer in accounting at Birmingham University, and Mr Maurice Pendlebury, of the University of Wales Institute of Science and Technology.

They recommend four changes to improve accountability in local authority budgets:

Budgets should be published before rates are fixed; they should be checked by independent experts; differences between budgets and outturn expenditure should be reported and explained; and these differences should also be checked by independent experts.

A survey put these options to domestic ratepayers, commercial ratepayers, chief officers, councillors and pressure groups in Cardiff and Solihull, together with a random sample of MPs.

Some 58 per cent responded. Only the chief officers were against publication of budgets before rate fixing, with 88 per cent of ratepayers, 83 per cent of pressure groups, 77 per cent of MPs and 71 per cent of councillors supporting the idea. Only 42 per cent of chief officers were in favour.

The report says that, in the past, implicit faith has been put in the democratic process of checks and balances to produce credible budgets. But the recent public outcry about rates appeared to be partly a manifestation of ratepayers' unwillingness to keep that faith.

WORLD'S TOP 500 BANKS

BankAmerica regains first place

BY PAUL TAYLOR

BANKAMERICA, the San Francisco-based banking group has regained its position as the biggest bank in the world in terms of assets and deposits, according to The Banker magazine.

The magazine's June issue, to be published next week, gives its annual list of the world's top 500 banks. It shows that BankAmerica, with assets of $115.6 bn (£65.6bn) and total deposits of $94.4bn, ousted Citicorp, the New York-based bank, from the top slot, after a year in which exchange rate movements had a major influence on the ranking of leading banks. The Barclay Group is again the largest of the UK banks in terms of assets and is ranged sixth, one place higher than in 1980. National Westminster is ranked tenth, and Midland twelfth. Some striking gains were made lower down the scale, particularly by Arab banks and especially those in the Gulf areas.

The London-based magazine also confirms the decline in bank profitability in real terms. About two out of three of the world's 200 largest banks recorded lower capital-to-assets ratios. However, The Banker says the international financial system has shown remarkable resilience throughout the strains of recent years despite the downward trend.

The top 10 banks recorded growth in U.S. dollar terms of only 0.2 per cent last year compared with 8.5 per cent in 1980 and 18.1 per cent in 1979.

BankAmerica grew by 8.3 per cent, while Citicorp grew by 2.9 per cent. The UK banks appear to be growing much faster in local currency terms, with Barclays recording a 31.5 per cent increase in assets and National Westminster a 25.3 per cent increase, but translated into dollars, those rates drop to 5.1 per cent and 0.2 per cent respectively.

The tables show little change in the top 10 banks, although the order has been reshuffled.

THE TOP BANKS

Rank 81	Rank 80	Bank and Head Office	Assets less contra accounts	Total deposits	Capital and reserves	Total revenue	Pre-tax earnings	Pre-tax earnings on assets (%)	Pre-tax earnings on capital (%)	Capital assets ratio (%)	Revenue on assets (%)
1	2	Bank America Corp.	115,592	94,369	4,091	15,085	648	0.59	16.21	3.54	13.06
		San Francisco	8.3	6.8	4.7	25.0	−36.5	0.97	29.16	3.33	9.65
2	1	Citicorp, New York	112,700	72,125	4,281	18,275	812	0.74	19.88	3.80	16.22
			2.9	0.5	10.1	28.6	−2.1	0.93	25.68	3.50	11.62
3	4	Banque Nationale de Paris,	106,731	85,310	1,365	12,484	399	0.42	32.06	1.28	13.02
		Paris	25.6	24.8	21.4	54.3	41.2	0.38	27.00	1.35	10.74
4	3	Crédit Agricole, Paris	97,788	80,686	4,929	—	—	—	—	5.05	—
			16.8	19.2	1.5	—	—	—	—	5.89	—
5	5	Crédit Lyonnais, Paris	93,716	92,482	890	12,419	281	0.33	32.68	0.95	14.49
			20.7	20.6	7.5	140.7	74.9	0.35	30.97	1.07	11.55
6	7	Barclays Group, London	93,020	81,729	4,326	12,801	1,061	1.30	26.61	4.66	13.77
			31.5	34.0	13.9	36.7	8.3	1.56	27.93	5.37	14.43
7	6	Société Générale, Paris	86,987	78,288	—	—	—	—	—	—	—
			22.0	20.3	—	—	—	0.40	24.51	1.59	—
8	10	Dai-ichi Kangyo Bank,	85,486	67,441	2,784	7,258	271	0.35	10.17	3.26	8.50
		Tokyo	17.7	19.0	9.4	25.0	7.6	0.47	12.97	3.50	8.20
9	8	Deutsche Bank, Frankfurt	84,482	78,664	2,613	9,092	546	0.68	21.88	3.10	10.77
			10.2	10.0	9.9	23.7	3.3	0.72	22.90	3.10	16.13
10	9	National Westminster Bank,	82,625	75,766	4,209	11,099	943	1.27	24.67	5.10	13.44
		London	25.3	24.8	22.5	26.5	20.6	1.29	20.38	6.21	14.39
11	13	Sumitomo Bank, Osaka	79,282	62,066	2,478	6,109	324	0.46	13.68	3.13	7.71
			26.1	22.0	9.7	25.4	54.3	0.60	15.60	3.56	7.94
12	17	Midland Bank, London	78,258	72,024	2,763	10,914	443	—	16.61	3.54	13.95
			61.9	65.1	7.4	70.5	0.1	1.02	18.05	5.32	—
13	12	Fuji Bank, Tokyo	76,634	62,722	2,689	6,188	306	0.44	11.97	3.51	8.08
			19.3	21.6	9.4	28.0	−23.0	0.67	16.71	3.83	7.94
14	16	Mitsubishi Bank, Tokyo	75,985	59,065	2,467	6,324	274	0.40	11.46	3.25	8.33
			19.3	18.7	6.5	33.7	−10.4	0.55	13.52	4.04	8.43
15	11	Chase Manhattaa Corp.,	74,287	55,300	3,539	10,651	564	0.77	16.85	4.77	14.34
		New York	1.8	−2.7	12.2	33.1	9.1	0.78	21.76	3.55	11.43
16	23	Royal Bank of Canada,	69,942	64,862	2,060	9,501	801	1.33	43.33	2.95	13.59
		Montreal	38.2	37.4	25.8	57.7	56.5	1.11	34.44	3.32	13.11
17	14	Sanwa Bank, Osaka	68,057	56,815	2,287	5,801	—	—	—	3.36	9.15
			15.8	19.7	9.5	24.2	—	0.55	15.02	3.55	8.35
18	22	Banco do Brasil, Brasilia	65,077	23,721	4,301	5,314	1,666	3.63	54.31	6.61	8.17
			143.1	78.3	134.4	131.2	204.6	2.54	37.53	6.85	10.97
19	15	Dresdner Bank, Frankfurt	58,092	54,643	1,704	5,985	180	0.32	11.07	2.93	10.62
			6.4	6.1	10.6	20.4	−1.9	0.34	12.02	2.82	9.19
20	19	Norinchukin Bank, Tokyo	57,257	47,916	322	4,208	35	0.17	10.86	0.57	7.35
			12.4	8.9	0.3	23.7	−51.3	0.14	34.45	0.42	6.62

All figures on first line in $ million (columns 1—5) or percentages (columns 6—9) o ractual numbers (column 10) second line shows perecntage growth in local currency in past 12 months (columns 1—5) or previous year's ratio (columns 6—9).

Source: The Banker, June 1982

The French banks, Banque Nationale de Paris, Crédit Agricole, Crédit Lyonnaise and Société Génerale, took third fourth, fifth and seventh places respectively.

West Germany's Deutsche Bank has slipped one place to number nine, while the Tokyo-based Dai-Ichi Kangyo Bank rose two to eighth position. Dai-Ichi Kangyo showed strong growth along with most of the other Japanese banks.

The Banker's listings show that U.S. banks still dominate the top 500 with 72 banks listed. Japan follows with 61 entries, while of the European countries West Germany has 45 banks in the top 500, Italy has 29, and France and the UK both have 20.

The range of information contained in The Banker's list has been extended this year to show alternative measures of the size and strength of banks and various ratios of their performance.

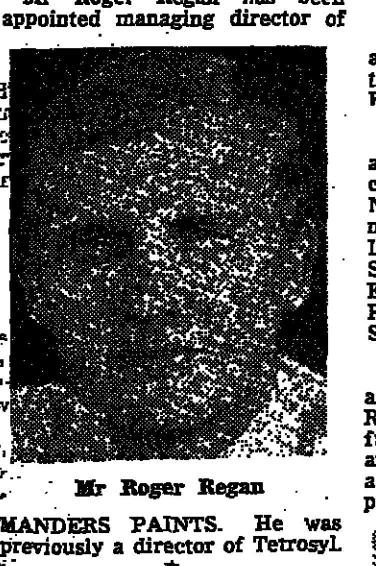
APPOINTMENTS

BP chairman is new president of Institute of Petroleum

Mr A. T. Gregory, chairman of BP Oil and BP director for UK and Ireland, and for BP Group external affairs, has succeeded Sir Nevil Macready of Mobil as president of the INSTITUTE OF PETROLEUM. On his election, Mr Gregory stressed the critical need to resume the pace of North Sea development to maintain its direct and indirect benefits for the UK economy. Given sensible tax policies leading to a resumption of new field developments, the next decade could see the strengthening of UK oil supply, servicing and contracting industries, increasingly able to compete at home and overseas, the new president said.

★

Mr Roger Regan has been appointed managing director of



Mr Roger Regan

MANDERS PAINTS. He was previously a director of Tetrosyl.

★

Sir Alan Smith, who has been chairman and chief executive of DAWSON INTERNATIONAL for 36 years is to retire on October 1. He is to be succeeded by the present deputy chairman Mr Ronald Miller as chairman and chief executive from that date. Sir Alan is to become president of Dawson, and will remain a director, though non-executive.

★

Mr Peter Wright has been appointed production director of SPOTTISWOODE BALLANTYNE, a McCorquodale company.

★

Mr Ian Ritchie has been appointed chief executive QH STANDARD, the Quinton Hazell retail subsidiary. He was with Flexibox Inc, a Burmah subsidiary in the U.S., as vice-president and general manager.

★

Mr Ian Beith has been appointed director of CITIBANK'S European training centre in London. He is at present unit head in the oil and mining division of Citibank's corporate banking group in London. He will take over from Mr Arthur Stampleman who is moving to a new position with Citicorp Industrial Credit Inc., New York.

★

Mr Robert Coverdale, assistant general manager, Bristol & West Building Society, has been elected national president of THE CHARTERED BUILDING SOCIETIES INSTITUTE for 1982/83.

★

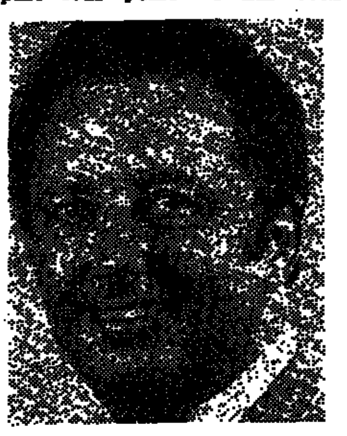
Mr C. R. Ross has been re-appointed as vice-president of the EUROPEAN INVESTMENT BANK.

★

Mr J. R. Crickmay has been appointed a director and elected chairman of the STEWART NAIRN GROUP. He was formerly chief surveyor of the Legal & General Assurance Society. He is a director of the Ecclesiastical Insurance Office, Percy Bilton and of Aquis Securities.

★

Mr Frank Shekleton is appointed chief executive of REED CORRUGATED CASES from July 1 and will be based at the company's central office at Cowley, Uxbridge. For the past four years he has been



Mr Frank Shekleton

managing director of Reed Corrugated Cases Nederland BV. Mr Eamon Hillan, deputy chairman of Reed Group and a director of Reed International will continue as chairman of Reed Corrugated Cases.

★

Following the death of Lord Inverforth, Mr Vincent Weir has been appointed chairman of UNITED BALTIC CORP and Mr John B. Hutchison has been appointed to the board.

★

Mr Colin Butterworth has been appointed finance director of SELECTV. He was financial controller.

★

ARAN ENERGY has appointed Mr Peter Gorman, as secretary of the company. He succeeds Mr Paul Creedon, who continues as financial director.

★

TECALEMIT GROUP SERVICES has appointed Mr James Lunt as director and general manager from August 9. Prior to August, he will take a gradually increasing role in the day to day operations of the company, while relinquishing his current responsibilities as commercial director of Interlube Systems, another Tecalemit UK Group member.

★

Mr Garry Driver has been appointed new business director of NEXEL.

★

Mr A. W. Stevens has been appointed a director and general works manager of BRICO ENGINEERING, a member of the AE Group. He was formerly general production manager.

★

Mr John H. Barnes has been appointed managing director of the newly-established European financial services division based in the London office of KORN/FERRY INTERNATIONAL. He was formerly a vice-president at Morgan Guaranty Trust Company.

★

Mr Charles A. Ward is to be appointed managing director of G. PERRY AND SONS, Leicester. He succeeds Mr A. J. Bunting, who is retiring on June 30. Mr Ward was previously a director and general manager of Stone Wallwork International, Bognor. G. Perry and Sons is a member of the Weir Group.

★

Mr Peter Gough has been appointed managing director of MUIRHEAD. He succeeds Sir Raymond Brown, who continues as chairman. Mr J. S. Gaziano, president of Tyco Laboratories Inc, has been appointed deputy chairman, and Mr John Fort, also of Tyco, a director.

★

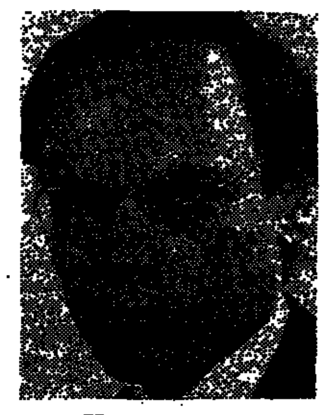
Mr Geoffrey Powell, personnel director of IMPERIAL FOODS, division of Imperial Group, has assumed additional responsibilities for the division's strategic planning and becomes planning and personnel director.

★

Mr C. Richard Tinsley has been appointed assistant director of EUROPEAN BANKING COMPANY responsible for metals and mine project finance worldwide. He was formerly with Continental Illinois, Chicago.

★

Mr John Govett, a director of J. HENRY SCHRODER WAGG & Company, has been appointed to the committee of management PERTY UNIT TRUST (PFPUT).



Mr John Govett

He succeeds Mr Arthur Green, the property adviser to Schroder Wagg & Company, and a director of Schroder Properties — who retires from the PFPUT committee after 10 years' service.

★

Mr M. A. F. Reeve has resigned as a director of the ELLIOTT GROUP OF PETERBOROUGH which is now a subsidiary of Jenks and Cattell.

Argentina accused of indifference to PoWs

By John Hunt, Parliamentary Correspondent

BRITAIN has not yet been able to get the Argentine Government to agree to a complete ceasefire in the south Atlantic, Mrs Thatcher told the Commons yesterday.

The Prime Minister said that Britain was doing all it could to repatriate the prisoners, particularly the younger conscripts. But she accused Argentina of showing indifference to their fate.

Mrs Thatcher said the number of prisoners had turned out to be less than the figure she had announced to the house on Tuesday. The original figure had been given by the Argentine commander but the latest estimate was 10,660 and even this was not fully confirmed.

The Prime Minister said Britain was trying very hard to return the younger groups as soon as possible. The liner Canberra was due to be loaded with 5,000 younger prisoners by yesterday evening.

The difficulty was that the junta had not agreed that they should be repatriated to an Argentine port. They were insisting on the men going to Montevideo in Uruguay which was further away and would take longer.

Mrs Thatcher agreed with Mr David Alton (Lib Liverpool, Edge Hill) who said that the callous attitude which the Argentine government was showing towards the prisoners demonstrated its indifference to life and human dignity in general.

Mr Timothy Sainsbury (Con Hove) urged her to consider the plight of the three British journalists who were still in prison in Argentina. He said their immediate and unconditional release should form part of any repatriation arrangements.

The Prime Minister assured him that the Government had already made further representations through the Swiss embassy asking for the journalists to be returned to Britain.

Mr Dick Douglas (Lab Dunfermline) wanted to know whether the proposed inquiry into the Falklands conflict would need additional legislation or a vote in the House of Commons.

Mrs Thatcher said it would not be necessary to hold the inquiry under the Tribunals Act. She reaffirmed that she would shortly be writing to Mr Michael Foot, Leader of the Opposition, and other party leaders suggesting the terms of reference.

● In a Commons written reply, Mrs Thatcher said she hoped to be able to make a recommendation to the Queen shortly about the issue of a campaign medal for those engaged in the Falklands operation.

Thatcher plea to football fans

MRS THATCHER yesterday called for good conduct among Britain's young soccer fans at the World Cup finals in Spain. She told the Commons: "I hope these young people will be as good representatives of this country as our armed forces have been in the south Atlantic."

The Prime Minister had been asked at Question Time by Mr Peter Temple-Morris (Con, Leominster) to appeal to the fans not to behave "whatever the provocation, in such a way which might detract from the outstanding heroism shown by the soldiers in the Falklands, who are their contemporaries."

EEC WITHDRAWAL AND NUCLEAR-FREE DEFENCE

Labour programme shows tightening left-wing grip

LABOUR'S Programme '82 was published yesterday with what some right-wing shadow Cabinet Ministers described privately as a "Government health warning" attached to it.

The preamble to the policy document, hammered out over the last few months at an almost ceaseless round of sub-committee meetings, makes it clear that a Labour Government could not possibly implement all the policies contained in its first term of office.

The programme, it says, when approved by the party conference, will "represent the policies agreed to by the Labour Party for many years ahead; for its fulfilment it will clearly require action by Labour Governments over more, and in certain fields considerably more, than one parliament."

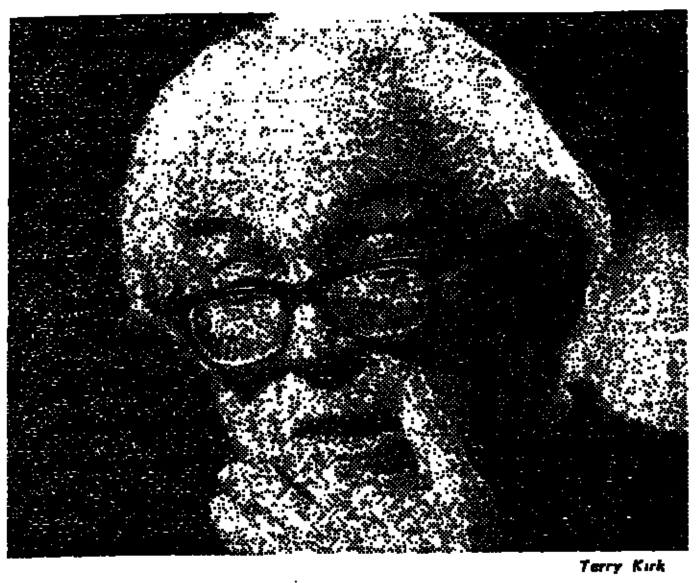
The preamble was inserted at the insistence of the shadow Cabinet which was concerned that the left might use the programme to commit a Labour Government to introducing impractical policies. The addition was a victory for the moderates. Nevertheless the foreign policy section published yesterday in Labour Weekly represents a further consolidation by the Left of its hold over party policy.

It reaffirms Labour's commitment to pulling out of the European Community and sets out an essentially unilateralist defence policy, including the closure of all U.S. bases in this country and the creation of a European nuclear weapon free zone.

Mr Michael Foot, the party leader, made it clear yesterday that whatever else might be thrown out in the joint meeting between the shadow Cabinet and the national executive committee, which has the final job of deciding the contents of the manifesto, those two basic policies would remain.

Some of the other less fundamental policies, which the far left has succeeded in getting into the document, on the grounds that they have been approved by party conference, might well get lost in the final process of drawing up a manifesto.

Most shadow Ministers would, for example, have reservations about the idea, contained in the document, of giving military, as well as financial, aid to liberation movements in South Africa. There is also likely to be controversy over the suggestion that a Labour Government would discuss with the TUC the possibility of allowing members of the armed forces to join a trade union.



Terry Kirk

Michael Foot: commitment to basic policies on defence and EEC.

"The document begins by setting out Labour's basic approach to foreign affairs. It stresses that Labour is an internationalist party and that Britain should work within the United Nations, the Commonwealth, the North Atlantic Treaty Organisation and other international organisations to "strengthen detente and reduce tensions." Labour, it says, is committed to a foreign policy "devoted to the search for peace and justice throughout the world."

The document is highly critical of U.S. foreign policy. It emphasises that Britain's membership of Nato "cannot mean that we allow ourselves to be drawn into the vortex of U.S. foreign policy." It says that since President Reagan's election the relationship between the partners to the Atlantic Alliance has become strained. Nevertheless, Britain maintains her commitment to the alliance. Ultimately, though, it says Labour would like to bring about the "simultaneous dissolution of both Nato and the Warsaw Pact."

The document reaffirms Labour's commitment to pulling out of the EEC. The NEC has agreed that after withdrawing, a Labour Government would seek agreement with EEC members to "maximise the benefits" of leaving the Community. But the method of withdrawal will not be published in full until next week.

This week's instalment of the programme is restricted to describing how Britain would develop new political relationships with other socialist countries in Europe after withdrawing from the Community. In particular, it says, it would apply for consultative status in the Confederation of Socialist Parties of the European Community.

The most controversial part of the foreign affairs programme in the long term deals with unilateral disarmament which is almost certain to go through this year's party conference with the two thirds majority necessary to guarantee its consideration for inclusion in the manifesto.

The two sides of the party have tried to bury their differences in a formula which talks in terms of unilateral action to achieve multilateral disarmament.

Britain, it says, will greatly increase the impetus towards a European nuclear weapons free zone. It rejects the idea that

Labour's controversial inquiry into the activities of Militant Tendency is to be published tomorrow in advance of next Wednesday's crucial meeting of the national executive committee, our Political Correspondent writes.

The report was being circulated to members of the executive last night and party organisers seem to have decided that there was no way it could be kept secret until Wednesday.

Some Labour moderates yesterday appeared less confident that Mr Michael Foot, the Party leader, would be prepared to take the action they believe is necessary to deal with Militant and they were doing all they could to stiffen his resolve.

Britain's possession of strategic nuclear weapons gives it a lever in disarmament negotiations, and says that Labour, therefore, intends that Britain should adopt a non-nuclear defence strategy.

By becoming the first nuclear weapons state to renounce unilaterally such weapons Britain would, it maintains "breathe new life into worldwide disarmament negotiations."

Labour would, it states, immediately cancel the Trident programme. It would close down all nuclear bases, British or U.S. on British soil or in British waters "as a direct contribution to the creation of a European nuclear weapons free zone." Labour will oppose the siting of U.S. ground-launched Cruise missiles or neutron bombs in Britain.

Experience, it says, has demonstrated that overall multilateral nuclear disarmament cannot be achieved "solely through the action of perfectly symmetrical and balanced international agreements. We must work for unilateral steps by Britain to improve the chance of multilateral solutions at an international level."

Given the number of jobs at stake in defence industries, the question of defence spending is a delicate one for Labour. The document says that Labour opposes the 3 per cent increase in real terms in defence expenditure being planned by the Conservative Government.

Labour will, it says, reduce defence expenditure to the "average proportion of the gross domestic products spent by the other European Nato countries, bearing in mind the need to avoid widespread and precipitate redundancies for which no alternative work has been provided, and Britain's need to provide adequate conventional defence forces."

Britain's conventional defence policy would have to be discussed with its allies to "avoid the danger of an increase in the deployment of battlefield nuclear weapons by other Nato nations."

Mr Foot had hoped that, by publishing the foreign section, and the chapters on the economy in two separate instalments, Labour would get maximum Press exposure for both aspects hard left, in the latest stage of their feud with Mr Foot yesterday spiked this idea by publishing in Tribune the main points of the economic document—including commitments to a 35-hour week and a new department of economic planning, and opposition to an incomes policy.

The next stage is for the programme to go to this year's party conference.

SDP ELECTION

Jenkins accused of breaching guidelines

By Peter Riddell, Political Editor

THE CONTEST for the leadership of the Social Democratic Party warmed up yesterday as Dr David Owen accused Mr Roy Jenkins of breaking previously agreed guidelines for the campaign.

Following an interview with Mr Jenkins on ITN's News at One programme, Dr Owen, who declined to appear, issued a statement saying he understood that it had been agreed, at Mr Jenkins's suggestion, that the candidates should not campaign or conduct a public debate in the Press or on television about the leadership.

Dr Owen was last night said to be relaxed about the incident and to be surprised since Mr Jenkins suggested the rules which had been accepted by the party's steering committee. Dr Owen is apparently considering his own attitude to interviews and to any future approaches to express his views on the leadership election.

Mr Jenkins has been active in giving television interviews, writing articles in the Press and giving speeches and appearing in public during the last fortnight, though only a couple of these occasions have been concerned primarily with the SDP leadership alone.

Supporters of Mr Jenkins believe that he should have a prominent public profile to boost turnout in the election since they think this will favour him. The Jenkins campaign fears that a low turnout would benefit Dr Owen who is believed to have strong support among party activists.

During the interview Mr Jenkins stressed that the SDP could not merely compete with the Labour Party and get votes from nowhere else. If this happened the political scene of the midwar period would be recreated leading to Conservative rule. He therefore stressed the need for a wide appeal, though the party's main role might be to push Labour out of the arena of government.

On a separate issue, Dr Owen yesterday made it plain that he was not backing an anti-nuclear pressure group recently formed within the SDP and did not support the aims of the Social Democratic CND and Peace Group. He favours multilateral disarmament.

Labour to abstain on Ulster guillotine

BY MARGARET VAN HATTEM, POLITICAL STAFF

LABOUR has decided not to oppose the guillotine on the Northern Ireland Bill and will abstain from voting when the motion is debated next Tuesday.

The Cabinet decided yesterday to impose the guillotine and cut short a filibuster mounted by about 20 Tory back benchers and several Ulster Unionist MPs.

Labour had earlier signalled that it would oppose the guillotine as a matter of principle. However, the party leader, Mr Michael Foot, appears to have been persuaded by his front bench spokesmen on Northern Ireland not to do so, on the grounds that the move is directed against Try rebels and not against Labour.

Privately, Labour members are delighted over the public airing of divisions within the Tory Party on the Bill which has led to bitter personal attacks during some of the all-night sittings during the Bill's Committee Stage this week.

They are hoping that the absence of Labour opposition on the guillotine will ease pressure on the Tories to form a united front, leading to further signs of acrimony in Tuesday's debate.

Indications are they will not be disappointed. Although the Cabinet decision is a public demonstration of support for the Northern Ireland Secretary, Mr James Prior, the Tory rebels have not been actively discouraged from thinking that both the Prime Minister and the Leader of the House, Mr John Biffen, are unenthusiastic about the Bill.

Nor are they being discouraged from believing that any defiance of a three-line whip on the guillotine will be quickly forgiven and perhaps even secretly applauded from on high.

The weight of opinion within the Tory Party, however, seems to be strongly in favour of the guillotine. This is due largely to back bench resentment at being kept up all night rather than to any strong feelings about the Bill. Few members interest themselves in Northern Ireland affairs and most consider the Bill relatively insignificant.

The Government announcement of the guillotine motion yesterday brought strong protests from pro-Unionist Tories at a meeting of the 1922 Committee and from Mr James Molyneaux, leader of the Official Unionist Party. His party strongly opposes the Bill's implicit provision that there can be no devolution without a form of power-sharing between the Unionist and nationalist sides of the Northern Ireland community.

Arguments advanced by Unionists so far in the debate show no advance on their thinking at the start of the 10-year dispute over power-sharing.

Powell's seal of approval

By Our Parliamentary Correspondent

MR ENOCH POWELL (OUU, Down South) yesterday put his full seal of approval on Mrs Thatcher's handling of the Falklands conflict.

At the start of the Falklands crisis he said the nation would be watching to see of what metal the Prime Minister was made. Yesterday he made it clear that, as far as he was concerned, she had met every requirement.

MPs laughed as he said in the Commons that a report from the public analyst. It showed that the substance under test consisted of a ferrous metal of the highest quality.

"It is of exceptionally tensile strength, highly resistant to wear and tear and stress, and may be used with advantage for all national purposes," he added.

There was more laughter as Mrs Thatcher replied: "I am very grateful indeed. I agree with every word he says."

'Back door' car imports attacked

TRADE SECRETARY Lord Cockfield was urged yesterday to stop "back door" Japanese car imports into Britain.

The request, in a letter from Labour MP Mr Doug Hoyle, follows Japanese car company Mazda's announcement that it was negotiating with its car assembly plants in different parts of the world to seek ways of expanding sales in Britain.

Aid to Lebanon

THE GOVERNMENT is giving £165,000 worth of aid to victims of the Israeli invasion of Lebanon, Mr Douglas Hurd Foreign Office Minister, told the commons.

Initial emergency aid worth £50,000 is going to the International Committee of the Red Cross and the Lebanese Red Cross.

The Government is also contributing to humanitarian aid worth about £115,000 being provided by the EEC to the ICRC.

Chancellor confident of recovery as inflation rate continues to fall

BY OUR PARLIAMENTARY CORRESPONDENT

IN A BULLISH mood Sir Geoffrey Howe, Chancellor of the Exchequer, told the Commons yesterday that inflation was coming down faster than expected and provided the best possible basis for a sustained economic recovery.

Mr Jock Bruce-Gardyne, Economic Secretary to the Treasury, said it was not yet possible to give the cost of the Falklands operation or to what extent supplementary provision might be necessary to pay for it.

But he emphasised: "The cost will be met in the ways consistent with the Government's economic strategy."

Mr Bruce-Gardyne said the Government had put no ceiling on the cost of the operation but it would only represent a small proportion of the defence budget. "There is therefore, no immediate cash problem," he said.

There were loud cheers from Conservative backbenchers when Sir Geoffrey forecast that the Government's record of bringing down inflation would beat that of its Labour predecessor—the first time this has happened since the War.

The Chancellor's optimism was, however, dismissed by Mr Peter Shore, Labour's Treasury spokesman, who declared: "Isn't this recovery becoming rather like the Scarlet Pimpernel — glimped rather than seen and largely a work of fiction?"

Sir Geoffrey, who was facing the Commons for the first time since inflation dipped below 10 per cent, predicted that it would fall rather faster than the Government's forecast of 9 per cent by the end of the year and 7½ per cent by the middle of next year.

Sir Geoffrey: continued control of public borrowing.

Throughout Treasury Question Time, he emphasised the need for a continued reduction in wage claims if the Government's strategy was to achieve its objectives. Economic activity was higher than in the first half of last year and industrial profits were beginning to recover. Manufacturing productivity in terms of output per head had risen 12 per cent from the fourth quarter of 1980.

The latest economic situation report from the Confederation of British Industry showed the recovery continuing into 1983 and interest rates continuing the welcome decline seen earlier in the year.

He agreed with Mr Peter Bottomley (Con, Woolwich West) that if the health workers received anything near their 12 per cent wage demand it would lead to higher inflation and more unemployment. He stressed the importance of a progressive reduction in the rate of increase of costs whether expressed in terms of prices or pay awards.

He agreed with Conservative backbenchers who said the cost of the Falklands operation should not be allowed to increase inflationary pressures within the economy.

He also agreed on the need for continued control of public borrowing and expenditure if the Government was to achieve further reductions in inflation and, equally important, more reductions in interest rates.

The Chancellor said the latest survey of investment intentions showed a rise in manufacturing investment. He thought 1983 would show an even stronger growth in investment.

A similar line was taken by Mr Leon Brittan, Chief Secretary to the Treasury, who said that lower inflation, resumed decline in interest rates, business surveys and forecasts all pointed to a continuation in recovery in the course of this year and next.

Mr Brittan rejected any notion that the Government might pay for the Falklands operation by printing money. Other Governments might have done so but this one would not.

Electoral reform 'top priority'

By Our Political Editor

WIDE-RANGING reforms of Britain's constitution are recommended by the Social Democratic Lawyers' Association in a document which is likely to be the forerunner of several of the party's detailed suggestions on the constitution later this year.

Among other points the lawyers recommend changes in the electoral system, in the procedures of the House of Commons, in the nature of the second chamber, in devolution and in a Bill of Rights with entrenching provisions.

At a Press conference yesterday, Mr Roy Jenkins said that the reform of the electoral system would be the top priority for the party in constitutional reform though the form of the second chamber should also come at an early stage. He also argued that devolution in Scotland was more urgent than elsewhere, compared with proposals for decentralisation of the English regions, which are soon likely to be proposed in a party Green Paper soon.

The lawyers argue that a system of proportional representation should be introduced in Britain and they prefer a single transferable vote system in five member constituencies.

The lawyers also argue that the European Convention on Human Rights should be incorporated into domestic law and that there should be an independent Commission for Human Rights. That should incorporate the present Equal Opportunities Commission and the Commission for Racial Equality.

The document calls for a reconstitution of the House of Lords with a majority of members elected from regional assemblies, which are also proposed, as well as some representatives appointed by Government and opposition. There would be a fixed number of life peers to represent minority interests and to supply expertise.

The document also urges the consolidation of existing constitutional law into a single constitution of the United Kingdom with proposals that the most important provisions could only be amended thereafter by special procedures.

Reform of the Constitution, available from 82, Addison Way, London, NW11. £3.50.

Action on rail dispute refused

BY OUR PARLIAMENTARY CORRESPONDENT

THE PRIME MINISTER yesterday rejected a demand from Mr Michael Foot, leader of the Labour Party, for the Government to intervene to prevent the threatened strike by the National Union of Railwaymen in two week's time.

She gave a similar reply when she was asked to step in to secure a "fair settlement" in the health workers' industrial dispute.

During Prime Minister's question time in the Commons Mr Foot urged Mrs Thatcher to ask Mr Norman Tebbit, the Employment Secretary, to intervene on the railways.

Firmly she replied: "No sir, this a matter for the British Railways Board. It is important to secure an increase in productivity which has so far not been forthcoming."

Angrily Mr Foot demanded: "Does this mean that the Government is going to stand idly by and do nothing whatever on the subject?"

He thought Mrs Thatcher should look at the facts afresh and should recognise that the union had a very strong case. It was, he said, the responsibility of the Department of Employment to prevent industrial disputes escalating.

Once again Mrs Thatcher insisted that this was a cause for the management of BR.

BR stands firm, Page 11

Immigrant total lowest since 1973

THE NUMBER of immigrants allowed into Britain in the first three months of this year — 13,300 — was the lowest figure for the first quarter since 1973, Mr Timothy Raison, Home Office Minister, said yesterday.

In a Commons written reply he said the queue of applicants seeking entry from the Indian sub-continent at the end of the period was, at 13,400, less than half the number at the corresponding time in 1980.

Mr Raison added: "The Government remains committed to firm immigration control."

Next week in parliament

COMMONS

Monday—Debates on British Rail and youth unemployment; Northern Ireland Order; Films (Distribution of Levy Regulations).

Tuesday — Northern Ireland Bill, guillotine motion; Debate on Middle East.

Wednesday—Northern Ireland Bill, Committee Stage.

Thursday—Oil and Gas Enterprise Bill, Lords amendments; Building (Prescribed Fees Regulations).

Friday—Derelict Land Bill, remaining stages; Social Security and Housing Benefits Bill, Lords amendments.

LORDS

Monday—Oil and Gas Enterprise Bill, Third Reading; Deer Amendment (Scotland) Bill; Commons amendments Cinematograph Amendment Bill, Committee Stage; Short debate on steps Government is taking to help restore integrity of Lebanon.

Tuesday — Children's Homes Bill, Third Reading; Planning Inquiries (Attendance of Public) Bill, Third Reading; Criminal Justice Bill, Committee Stage; Northern Ireland Orders.

Wednesday—Short debate on housing problems, current legislation on landlord and tenant and home ownership; Short debate on civil defence; Report of Multiple Sclerosis Society on benefits for partial disability, short debate.

Thursday — Firearms Bill, Committee Stage; Sheep (Variable Premium Protection of Payments), Amendment Order 1982.

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UK NEWS — LABOUR

Thatcher refuses to intervene as BR stands firm over 5% offer

BY PHILIP BASSETT, LABOUR CORRESPONDENT

BRITISH RAIL and the Government stood firm yesterday over BR's 5 per cent offer to its 170,000 workers in the face of a threatened all-out rail strike in 10 days' time.

The Prime Minister, pressed in the Commons by Mr Michael Foot, the Labour Leader, refused to intervene in the growing crisis. It was announced, however, that the issue will be debated in the Commons on Monday.

Mrs Thatcher said: "We regard it as important that they secure the increases in productivity that have so far not been forthcoming." The Government's tough stand mirrored that of the BR board.

BR officials were last night drawing comfort for their position from reports that a number of branches of the National Union of Railwaymen in Kent and the rest of the South East are calling for a ballot, secret or otherwise, on the NUR's call for an indefinite strike over pay from June 28.

BR managed to coax the unions into full pay negotiations yesterday afternoon following a meeting of the Rail Council, the industry's highest-level consultative body, which amplified the letter from Sir Peter Parker, BR chairman, warning that the threatened strike was placing the future of the industry at risk.

In spite of government pressure on BR to take tough action, Sir Peter was considered to have drawn back from taking a hard line when he spelt out to the Rail Council how serious the board's financial position was. BR is set to lose up to £170m this year, mainly as a result of the train drivers' strikes over the key productivity issue of flexible work rostering.

BR board members were meeting last night to consider union requests to divorce the 5 per cent pay offer from acceptance by July 31 of six productivity improvements, including flexible rostering and one-person train operation.

BR is due to tell the unions today what it has decided. The likelihood of its shifting from demanding productivity agreements as a pre-condition for this year's pay increase seems slim.

Union leaders were gloomy as they emerged from the talks, which did not discuss improving the 5 per cent offer. Mr Ray Buckton, general secretary of the Associated Society of Locomotive Engineers and Firemen, said he was not hopeful that the board would make any move.

Ports object to plea over docks labour scheme

BY BRIAN GROOM, LABOUR STAFF

EMPLOYERS in ports outside the national dock labour scheme are objecting to requests by the Transport and General Workers Union, which has asked all employers to join the scheme.

The TGWU last month threatened a national dock strike to bring 6,000 dockers in more than 80 ports into the scheme, which is the basis of dockers' "job for life" employment rights.

The action was called off after the Government agreed to consider "specific and detailed proposals" to include particular ports and wharves.

The union is seeking employers' co-operation before putting proposals to ministers. Its effort to find "test case" ports will continue in spite of its failure so far. Further approaches will be made to employers who have remained hostile.

Mr John Connolly, TGWU national docks secretary, said the union's initiatives had revealed that dockers in many ports were keen to join the scheme.

Objections among employers such as the Felixstowe Dock and Railway Company, centre on the inefficiency which the scheme's job security allegedly encourages. And some employers are unwilling to pay the levy to the National Dock Labour Board which funds the scheme.

Women 'slip in fight for equality'

By David Goodhart, Labour Staff

WOMEN ARE slipping back in the battle for equal opportunities at work according to a survey carried out among 5,000 members of the National and Local Government Officers Association (Nalgo).

The survey, published today, shows that two out of three women are in the typing, secretarial or clerical grades, whereas nearly half the men are in the professional category.

It also states that nearly half the male Nalgo members have salaries of over £8,000 compared with only 4 per cent of women.

The survey, carried out by the Sociological Research Unit at University College, Cardiff, holds out little hope for an end to the disadvantage faced by Nalgo women.

Concern over 'tax errors'

BY OUR LABOUR STAFF

Mr Norman Kirby, president of the 2,500-strong Association of HM Inspectors of Taxes, is calling for talks with the Inland Revenue over "the increasing number of errors in Corporation Tax assessment."

Last month the association, which represents the top tax inspectors, passed a resolution at its annual general meeting voicing concern at the "large and unacceptable number of errors and delays which have been occurring since the computerisation of Corporation Tax assessing." This was doing "appalling damage to the reputation of the department among taxpayers and accountants."

Birds Eye strike

ALL SIX of Birds Eye Wall's frozen food factories are threatened by a one-day strike today as 6,000 employees walked out in protest at their pay offer. The company said the offer was worth 7 per cent

Philip Bassett looks at Nupe in concluding our series on NHS unions

Pace-setter in the health pay battle

TRADE UNION unity is vital for the success of the present National Health Service industrial action. But in any such dispute, someone has to make the running and in these strikes the pacesetter is the National Union of Public Employees.

During the "winter of discontent" in 1978-79, Nupe became a household word—for some, a four letter word. It was portrayed as greedy, ruthless, and left-wing dominated, caring for nothing but its own size and its own members' pay packets.

The reality of the union is far different. True, it has always been a hard bargainer and an aggressive recruiter. Its membership does tend to rise during disputes, leading to accusations from other unions that its interest lies in poaching members, not in fighting for their claims.

Such accusations have already been made in this dispute, and no doubt at its end, Nupe will start processing its membership applications. Membership increased last year at a time when the recession was hitting trade union members by 4,842 from 699,156 to 703,998.

While this is distinctly against the trend, Nupe leaders argue that the reason for this is the union's willingness to fight for previously forgotten workers—the low paid in the public services.

Aggressive championing of the low paid has for long been a characteristic of the union. In the NHS, the core of its 230,000-strong health membership lies in the hospital ancillary workers — porters, cleaners, cooks—and their pay is low by any standards. The present weekly basic pay for a hospital storekeeper, for example, is £64.22. The Government's offer of 4 per cent would take this to £66.99.

The position is worse because of the high proportion of women Nupe members. The ratio in the union is roughly two to one. More than half of its ancillary members are women, many of them part-timers. Even with overtime and bonus payments, Nupe claims that the average pay for full female ancillaries is £84.02—£42.50 for part-timers.

Nupe has coupled this drive against low pay with forcefully presented left-wing policies on such issues as privatisation and income policy. Its new left wing team of Mr Rodney Bickerstaffe and Mr Tom Sawyer, as general and deputy general secretaries respectively, will continue to pursue these causes vigorously.

Oddly enough for a union representing decidedly manual and largely unskilled workers, Nupe is almost academic in its approach to its own affairs. In the mid-1970s, the union called in a team from Warwick University to examine its structure. Until the Society of Civil and Public Servants called in the same team five years later no other union had taken such an unprecedented step of allowing outsiders to examine it so closely.

The union has two main structural strand—from its branches up through district and divisional councils to its executive; and in parallel, branches voting delegates to committees for each public service in which the union organises, local government, the NHS, the universities and the water industry.

Contrary to the public view, Nupe's executive council is not full of gimlet eyed hard men of the left, but includes many jolly women members who are clearly still close to the low paid.

The 26-strong executive is elected by branch ballot, with branches having one vote for every 50 members. Branches range in size from less than 100 members, to more than 6,000, giving powerful block vote concentrations.

Executive councillors serve for two years before needing to be re-elected, but the union's offices are all appointed for life. The executive is empowered to call strikes without consulting further with its members, though in fact it does tend to hold a rough membership check on major projected action through the machinery of its national service committees.

Strike pay in the union is £12.50 a week for its members paying full subscriptions. After the union's annual conference last month passed a vote calling for an all-out strike in the health service, Mr Alan Fisher, who retires as general secretary today, angrily rebutted suggestions that this would allow only just over six weeks of action and then the union would be bankrupt.

Of course, no union would take such a self debilitating step. Financially, Nupe is secure, with its total funds rising last year by nearly £2m to £16,230,347, with the union making a profit on the year of £1,935,554.

Of these funds, £4,032,287 is in property. Nupe's London headquarters are off the beaten union track, in Blackheath. The Georgian terrace there is valued at £106,683, though properties in less exclusive areas of the country are worth even more. The union's purpose-built office in Ashton-under-Lyne, in Manchester, for instance, is worth £665,202.

The bulk of its investments—£2,095,446 — are in government stock, though the union's heavy council membership is reflected in the fact that another £1.7m is in short call municipal securities, with a further £1,777,812 in deposits repayable in under two years.

Financial security, increasing membership and a deep rooted belief in the justness of its cause have given Nupe the confidence to do more than fight its own corner.

Nupe officials privately acknowledge that the union has pushed the others in the health service, particularly the more moderate Confederation of Health Service Employees, from token two-hour strikes to the present series of one-day stoppages, and some believe towards a final all-out strike.

Nupe will keep up that pressure, both against the Government and on the other unions in the dispute. Its leaders are ready for a long and hard fight if necessary.

Mr Norman Fowler, the Social Services Secretary, is to recall trade union leaders and the Royal College of Nursing for further talks on the National Health Service pay dispute

The decision follows talks held last night between Mr Fowler and Mr Pat Lowry, chairman of the Advisory, Conciliation and Arbitration Service, who has been requested by the Secretary of State to seek common ground between the two sides.

So far, little or no progress appears to have been made in reaching a compromise. Union leaders have remained adamant that they will only settle for a "substantial" pay rise and a permanent mechanism for determining NHS wage rates.

A major escalation of the current campaign of industrial action into other industries is expected next Wednesday when Scottish, Nottinghamshire and Derbyshire miners are expected to join a 24-hour strike.

Extra allowance for computer staff in Civil Service agreement

BY IVO DAWNAY, LABOUR STAFF

EXECUTIVE GRADE computer operators in the Civil Service are to receive substantial allowances in addition to this year's 5.9 per cent wage settlement under an agreement reached between the Society of Civil and Public Servants and the Treasury.

Executive officers on the highest pay grade with three years' computing experience will now receive an overall rise of 18 per cent, taking salaries to £8,600 a year.

Under the deal, executive computer staff will be paid an extra £300 in allowances after one year; £600 after two years and £900 after three years.

In addition, a new allowance of £500 a year will be paid to higher executive officers with at least one year's computing experience.

For the first time, all the additional payments will be allowed to breach the maximum pay scales laid down for each grade of staff.

Commenting on the settlement, Mr Leslie Christie, SCPS assistant general secrtary, said the payments would not have been agreed if the union's 6,000 members working in computer departments had not played an active role in the civil service strikes of 1979 and 1981.

He added: "If the Government believes it can buy off our computer members by agreeing to these increases it had better think again. Next year we will be expecting substantial increases in the main scales and to make further improvements in the computer allowances."

A Treasury spokesman denied that the final settlement was any improvement

The new payments had been agreed to reward skills and prevent trained staff leaving

Clearing banks reject call to raise clerks' pay award

BY BRIAN GROOM, LABOUR STAFF

THE ENGLISH clearing banks are to refuse a request to increase this year's pay award to their 170,000 clerks from 8.5 per cent to 10 per cent.

The request came from Mr Leif Mills, general secretary of the Banking, Insurance and Finance Union (Bifu), following a 10 per cent arbitration award to 2,800 managers at Lloyds Bank.

This has fuelled resentment about the 8.5 per cent rises paid from April 1 to the rest of the 230,000 managers and staff in the five clearers. They have received increases below the rate of inflation for two years, and believe the profitable banks could well afford more.

The decision to refuse the request was taken by the Federation of London Clearing Bank Employers, which negotiates pay rates nationally for clerical grades one to four, and the minimum managerial salary.

● Bifu has warned Lloyds Bank that it will oppose any compulsory retirement or redundancies used to cut a surplus of 250-300 among the bank's 1,600 messengers.

Lloyds has suggested retirement at 60 to reduce the surplus, which was identified by a manpower review.

FT COMMERCIAL LAW REPORTS

Forfeiture of aircraft for regulations breach

CUSTOMS AND EXCISE COMMISSIONERS v ADDIE AND ASSOCIATES INC

Queen's Bench Division (Commercial Court): Mr Justice Hobhouse: May 20 1982

A single-engined four-seater aircraft which is designed as much for commercial purposes as for private, is an "aircraft" within the meaning of customs and excise legislation relating to the temporary importation of goods without payment of duty; and a "passenger" within the meaning of that legislation is not necessarily a person carried for remuneration, but is any person carried on the aircraft who is not a member of the crew.

Mr Justice Hobhouse so held when giving judgment for the Commissioners of Customs and Excise in their action against Addie and Associates Inc, a Florida corporation, for the condemnation of a Grumman American AA5 Traveller aircraft imported into the UK on behalf of Addie, without payment of duty.

Regulation 3 of the Temporary Importation (Commercial Vehicles and Aircraft) Regulations 1961 provides: ". . . the . . . aircraft while in the United Kingdom—(a) shall not be . . . used for the purpose of picking up passengers . . . within the United Kingdom for conveyance to another place within the United Kingdom."

Regulation 4 provides: "The . . . aircraft shall be re-exported . . . (b) before the expiration of three months from the date of importation, or . . . (d) within such period as the Commissioners may allow."

Regulation 10 provides: "In these Regulations . . . 'aircraft' means any aeroplane . . . designed for the transport of persons for remuneration . . . or commercial transport of goods."

* * *

HIS LORDSHIP said that on April 11 1980 a four-seater single-engine aircraft owned by Addie was imported into the UK at Gatwick. It could be flown by a single pilot or by a co-pilot from either front seat. Behind was a bench type back seat which could be used for the carriage of goods or luggage, and which could be folded forward to increase the space available for that purpose. The overall layout was very similar to that of a car.

Under section 48 of the Customs and Excise Management Act 1979 the Commissioners could permit importation without payment of duty if they were satisfied that goods were imported temporarily.

At Gatwick the pilot told the Customs and Excise officer that the aircraft was going to be used to transport Addie personnel to France for some commercial purpose. He filled in and signed a Customs and Excise form stating that the intended departure date of the aircraft from the UK was July 11 1980.

He declared that the aircraft was imported in the course of a journey which had begun and would end outside the UK. The form stated that any untrue statement might lead to penalties and forfeiture of the aircraft.

A temporary permit was granted to Addie, valid until July 11, under which the aircraft was imported without payment of duty. The pilot then took the aircraft to Blackbushe Airport for repairs and maintenance.

On May 30 the aircraft was flown from Blackbushe to Greenham Common and back. There were four persons on board on the return journey. Two of them sat at the controls, and two occupied the rear seats, including a Mr Russell who played no part in the flying of the machine.

The aircraft was not used for any international flight; and was not exported by July 11.

In August the Commissioners, believing that the conditions applicable to the import had not been complied with, detained the aircraft at Blackbushe Airport, and by a notice dated August 27, purported to seize it as liable to forfeiture under the 1979 Act.

The notice asserted that the aircraft was imported subject to the Temporary Importation (Commercial Vehicles and Aircraft) Regulations 1961, and that regulations 3(a) and 4(b) had not been complied with.

Addie challenged the seizure and the commissioners commenced the present action for condemnation of the aircraft pursuant to Schedule 3 to the 1979 Act, or for certification under section 144 that reasonable grounds existed for the seizure.

There were, *inter alia*, three questions. The first was whether the 1961 Regulations applied to the aircraft. The point taken by Addie was that the aircraft did not come within the definition in regulation 10. It was accepted that the aircraft was designed to transport persons, but disputed that it was designed to do so for remuneration.

Mr Mathew for Addie, argued that the Regulations only applied to aircraft designed for fare-paying passengers, such as air liners. He accepted that that purpose need not be exclusive provided that it was a principal purpose. He submitted that the Regulations should not be applied to a four-seater single-engined aircraft.

There was no reason why they should not. The aircraft was designed at least as much for commercial purposes as for private purposes. As it was designed for commercial purposes, its purpose must include the transport of persons for remuneration. There was no evidence that its design precluded its use for charter work or air taxi work, or even some less formal carriage for remuneration such as carriage for an associated company. The aircraft therefore came within the definition of "aircraft" in regulation 10.

The second question was whether there was a breach of the Regulations as a result of the failure to re-export by July 11. There was clearly a breach of regulation 4 unless the period of validity of the permit was extended by the Commissioners. No such extension was granted, and Addie was therefore in breach of the regulation in not re-exporting within three months.

The third question was whether "passengers" were picked up at any place within the UK for conveyance to any place within the UK, within the meaning of regulation 3.

With regard to the flight of May 30, Mr Mathew submitted that some restrictive meaning must be given to "passenger" in the Regulations. A passenger must be a fare-paying passenger; or he must not be an employee of the owners of the aircraft; or he must not be what was described in some cases with regard to ships as a "non-descript."

There was no justification for such refinement in connection with the present Regulations, which applied both to aircraft and to road vehicles. "Passenger" must be given its ordinary unqualified meaning, and in the present context it included any person who was not in the aircraft as a *bona fide* member of the crew.

Mr Russell was picked up as a passenger, and in those circumstances it was unnecessary to consider the status of the other persons in the aircraft. Both Greenham and Blackbushe were places in the UK, so the conveyance of Mr Russell from one place to the other was in breach of the Regulations.

The aircraft should be condemned and therefore the question of certification did not arise.

For the Commissioners: Andrew Collins (Solicitor, HM Customs and Excise)

For Addie: Robert Mathew (Anthony Quinn & Copeland)

By Rachel Davies

Barrister

RACING

BY DOMINIC WIGAN

A TREMENDOUSLY fast and consistent filly, Marwell swept to success against the colts in last year's King Stand Stakes. I am hopeful that another filly with similar attributes (albeit in lesser quantities), Chellaston Park, can pull off a similar achievement this time.

Chellaston Park is by no means an obvious choice on the strength of her overall form: but she looks set to run the race of her life over her optimum length now that she appears to be peaking for the first time since last summer.

A specialist five furlongs performer who relishes top-of-the-ground conditions, Chellaston Park put up her most encouraging effort this season in Sandown's Temple Stakes a little over a fortnight ago.

The biggest threat is likely to come from Sharpo. A leading light among last year's vintage crop of sprinters, Sharpo was finishing as well as any when taking third place behind Lightning Label and Blue Sing in Newmarket's Palace House Stakes on 2,000 Guineas afternoon.

In another fascinating confrontation for the Hardwicke Stakes no one should be surprised to see West Ilsley's second string, Heighten, take a hand in the finish despite the fact that he has jumped a couple of classes from handicapping to group two company.

Heighten is suggested as an each-way alternative for those contemplating a bet on Glint of Gold, whose lack of finishing pace has been proving so expensive.

For the opening Windsor Castle Stakes I can see no reason why Prince Reymo should not continue his winning ways; while My Dear Fellow will go close to winning the Wokingham Stakes provided that Nick Vigors has managed to get him back to his best after a lengthy absence.

ROYAL ASCOT

2.30—Prince Reymo**
3.05—Heighten
3.45—My Dear Fellow***
4.20—Chellaston Park*
4.55—Dandana
5.30—Halsbury

TELEVISION

Chris Dunkley: Tonight's Choice

The World Cup continues to dominate the schedules not just in the way that the games themselves are given pride of place as in World Cup Grandstand on BBC-1 when Scotland plays Brazil tonight (oh dear) but in the way that the other channels feel obliged to react. BBC-2 starts the not particularly good 1963 John Ford movie Donovan's Reef at the same moment that Grandstand kicks off and ITV starts a somewhat uncharacteristic bout of repeats under the general heading The Best of British with an episode of Hadleigh also at the same moment. Later ITV shows On The Buses and in London Rawhide, adding up to a positive orgy of nostalgia.

My own choices, however, would be Janey Preger's BBC-2 "Playhouse" drama, Chains with Michael Elphick as an ageing rocker trying to recapture the good old days; Alan Price's Tribute to George Orwell in It's My Pleasure, also on BBC-2, and then after the News Headlines on Newsnight a switch to BBC-1 for International Athletics although I fear Great Britain will lose to East Germany while beating Belgium.

That's followed by Dark Star, a low budget SF movie with a huge reputation.

They would be my choices were I not now starting a ten-week sabbatical/holiday during which one of the chief pleasures will be to leave the set switched off. Back in September.

BBC 1

6.40-7.55 am Open University (Ultra High Frequency only). 10.15-11.37 For Schools, Colleges. 12.30 pm Pobol y Cwm. 1.00 News After Noon. 1.30-1.45 Heads and Tails. 2.15 Tennis: The BMW Championships. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Dinky Dog. 4.40 Newsround Extra. 4.50 The Adventure Game.

5.40 News.

6.00 Regional News Magazines.

6.25 Nationwide.

7.00 Odd One Out with Paul Daniels.

7.30 World Cup Grandstand: Brazil v Scotland.

10.00 News.

10.25 Leap in the Dark (London and South East only.

10.55 Athletics.

11.25 News Headlines.

11.30-12.55 am Late Film: "Dark Star," starring Dan O'Bannon and Brian Narelle.

BBC 2

6.40-7.55 am Open University.
10.30-10.55 Play School.
1.30 pm Royal Ascot and Tennis.
5.55 The Ascent of Man.
6.45 Stravinsky and the Dance.
7.25 News Summary.
7.30 "Donovan's Reef," starring John Wayne.
9.15 Playhouse.
10.10 It's My Pleasure.
10.45 Newsnight.
11.30 Tennis.

LONDON

9.33 Schools Programmes. 11.52 The Bubblies. 12.00 Wincey's Pets. 12.10 pm Once Upon a Time. 12.30 Sudden Change. 1.00 News with Peter Sissons, plus FT Index. 1.20 Thames News with Robin Houston. 1.30 Crown Court. 2.00 Best Sellers: "The Last Convertible," part 1. 3.45 World Cup '82: Italy v Peru, from the Balaidos Stadium, Vigo.

6.15 News.

6.30 The 6 o'clock Show, presented by Shaw Taylor, with Janet Street-Porter and Fred Housego.

7.00 Winner Takes All, with Jimmy Tarbuck.

7.30 Best of British: Hadleigh, starring Gerald Harper.

8.30 Best of British: On The Buses, starring Reg Varney.

9.00 On The Line.

10.00 News.

10.45 Best of Bizarre with John Byner.

11.15 World Cup '82.

†11.55 Rawhide, starring Clint Eastwood.

12.55 am Close: Sit Up and Listen with Hugh Dykes.

† Indicates programme in black and white.

All IBA Regions as London, except at the following times:

ANGLIA

1.20 pm Anglia News. 6.30 About Anglia at the Essex Show. 10.45 Members Only. 11.55 Friday Late Film: "Lost," starring David Farrar, David Knight and Julia Arnall. 1.35 am India Journey.

BORDER

1.20 pm Border News. 6.30 am Lookaround Friday. 10.45 Look Who's Talking. 11.55 Danger UXB. 12.50 am Border News Summary.

CENTRAL

1.20 pm Central News. 6.30 Central News. 10.45 Soap. 11.55 Central News. 12.00 Vegas.

CHANNEL

1.55 am Look and See. 1.20 pm Channel Lunchtime News, What's On Where and weather. 6.30 Channel Report followed by What's on Where. 10.43 Channel Late News. 10.50 House Calls. 11.55 Vegas. 12.50 am News and weather in French.

GRAMPIAN

9.25 am First Thing. 1.20 pm North News. 6.30 North Tonight. 10.45 Benson. 11.55 Streets of San Francisco. 12.50 North Headlines.

GRANADA

11.52 am Wattoo Wattoo. 1.20 pm Granada Reports. 1.30 Exchange Flags. 6.30 Granada Reports. 10.45 There's Nothing to Worry About. 11.55 The Late Film: Barry Newman and Suzy Kendal in "Fear is the Key."

HTV

1.20 pm HTV News. 6.30 HTV News. 10.43 HTV News. 10.45 So What's Your Problem? 11.55 The Monte Carlo Show.

HTV Cymru/Wales—As HTV West except: 9.50-10.05 am Mwy Nai Lai. 12.00-12.10 pm Bath am Stori?. 6.30 Y Dydd. 6.45-7.00 Report Wales. 10.30-11.00 Outlook.

SCOTTISH

1.20 pm Scottish News. 6.30 pm Scotland Today. 10.45 Ways and Means. 11.55 Late Call. 12.00 Darkroom.

TSW

12.27 pm Gus Honeybun's Magic Birthdays. 1.20 TSW News Headlines. 6.30 Today South West. 10.47 TSW Late News and Weather. 10.50 House Calls. 11.56 Vegas. 12.50 am Postscript. 12.55 South West Weather and Shipping Forecast.

TVS

1.20 pm TVS News. 11.55 City of Angels. 12.50 am Company.

TYNE TEES

9.25 am The Good Word. 9.30 North East News. 1.20 pm North East News and Lookaround. 6.30 Northern Life. 10.45 North East News. 11.55 Quincy. 12.50 am Poet's Corner.

ULSTER

1.20 pm Lunchtime. 3.58 Ulster News. 6.30 Good Evening Ulster. 10.44 Ulster Weather. 10.45 Witness. 10.50 Mork and Mindy. 11.55 News at Bedtime.

YORKSHIRE

1.55 pm The Undersea Adventures of Captain Nemo. 1.20 Calendar News. 6.30 Calendar (Emley Moor and Belmont editions). 10.45 Benson. 11.55 Mannix.

RADIO

(S) Stereo broadcast (when broadcast on vhf)

RADIO 1

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.30 Dave Lee Travis. 2.00 pm Steve Wright. 5.30 Newsbeat. 5.45 Roundtable. 7.00 Andy Peebles. 10.00-12.00 The Friday Rock Show with Tommy Vance (S).

VHF Radios 1 and 2—5.00 am With Radio 2. 7.45 pm John Dunn (S). 8.00 Barn Dance (S). 8.45 Friday Night is Music Night (S). 10.00 With Radio 1. 12.00-5.00 am With Radio 2.

RADIO 2

5.00 am Steve Jones (S). 7.30 Ray Moore (S). 10.00 Jimmy Young (S). 12.00 Gloria Hunniford (S). 2.00 Ed Stewart (S). 4.00 David Hamilton (S). 5.45 News; Sport. 6.00 John Dunn (S). 7.45 World Cup Special: Brazil v Scotland. 10.00 Roy Castle. 10.30 Alistair Cooke. 11.02 Sports Desk. 11.10 Brian Matthew with Round Midnight (stereo from midnight). 1.00 am Night Owls (S). 2.00 Star Wars (S). 2.27-5.00 You and the Night and the Music (S).

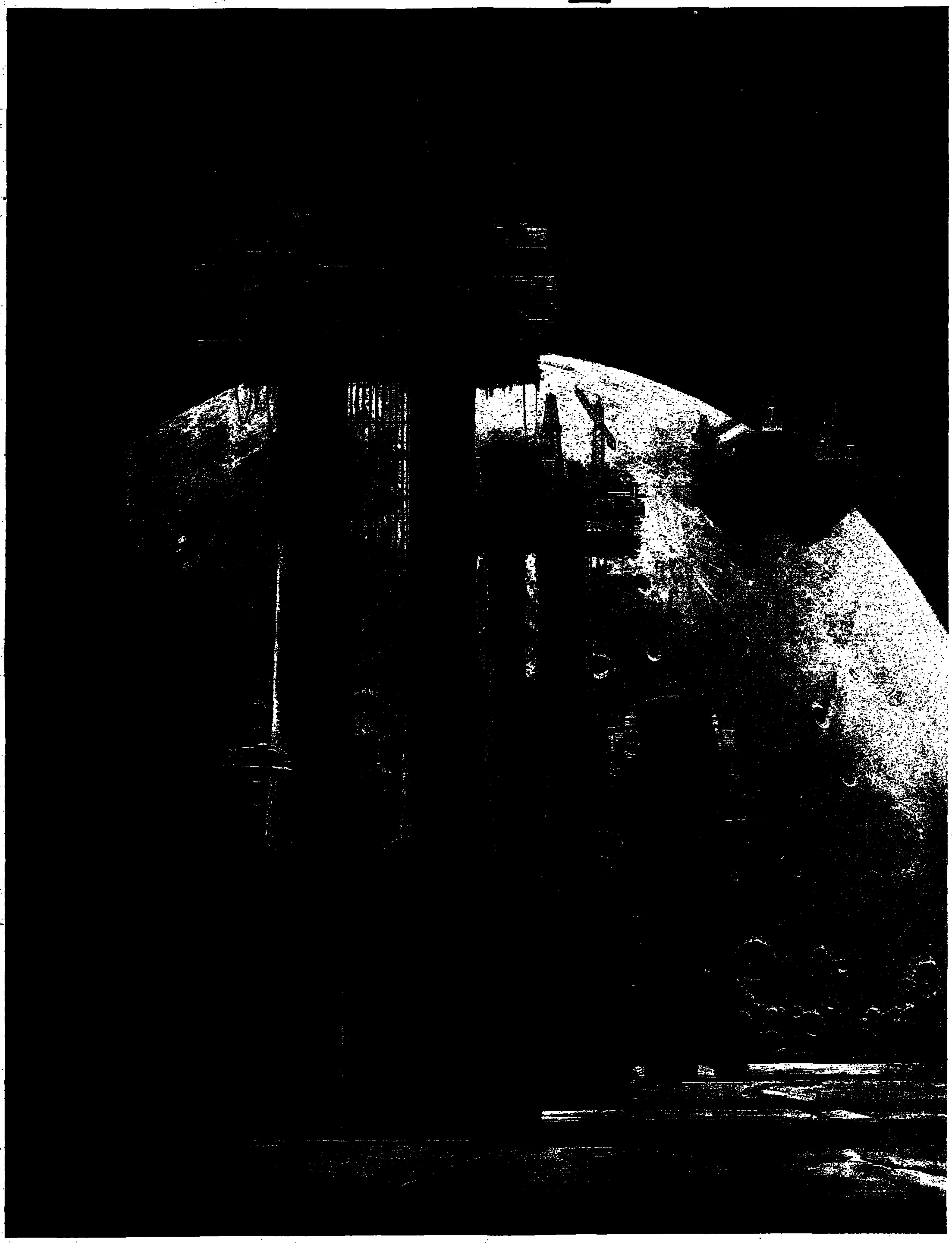
RADIO 3

6.55 am Weather. 7.00 News. 7.05 Morning Concert (S). 8.00 News. 8.05 Morning Concert (cont.). 9.00 News. 9.05 This Week's Composers: Stravinsky (S). 10.00 Chicago Symphony Orchestra (S). 11.15 Clarinet Trios (S). 12.05 pm Midday Concert, part 1 (S). 1.00 News. 1.05 Midday Concert, part 2 (S). 1.40 Felicity Palmer song recital (S). 2.45 Berlin Philharmonic Orchestra (S). 4.00 Choral Evensong (S). 4.55 News. 5.00 Mainly for Pleasure (S). 6.30 Music for Guitar (S). 7.00 The Romance of the Rose (S). 7.30 Nash Ensemble, part 1: Mozart, Borodin (S). 8.20 Interval Reading. 8.25 Nash Ensemble, part 2: Glinka, Stravinsky (S). 9.10 Two Sides To My Head. 9.30 Music in Our Time (S). 10.20 Kodaly (S). 11.15-11.18 News.

RADIO 4

6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping Forecast. 6.30 Today. 8.33 Yesterday in Parliament. 8.57 Weather, travel, Continental travel. 9.00 News. 9.05 Desert Island Discs. 9.45 So You Want To Go To Siberia? 10.00 News. 10.02 International Assignment. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.03 Dame Celia Johnson in "With Great Pleasure." 11.48 Bird of the Week. 12.00 News. 12.02 pm You and Yours. 12.27 My Music (s). 12.55 Weather, travel, programme news. 1.00 The World At One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour from Bristol. 3.00 News. 3.02 Afternoon Theatre. 4.00 News. 4.02 The Pleasure of the Garden. 4.10 Asian Links. 4.40 Story Time. 5.00 PM: News Magazine. 5.50 Shipping Forecast. 5.55 Weather, programme news. 6.00 News, including Financial Report. 6.30 Going Places. 7.00 News. 7.05 The Archers. 7.20 Pick of hte Week (s). 8.10 Profile. 8.30 Any Questions. 9.15 Letter from America by Alistair Cooke. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight: News. 10.35 Week Ending (s). 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 11.45 Miles Kington with recordings from the BBC Sound Archives. 12.00 News.

What you're looking at is no Sea of Tranquillity.



Neither is it a scene from the imagination of some science-fiction artist (although we commissioned one of Britain's finest sci-fi artists to paint it).

It is what you would actually see if the waters of the North Sea suddenly became invisible.

Silhouetted against a huge moon are the four giant production platforms that form the core of the Brent oilfield.

The Brent Field, operated by Shell, lies far out to sea, roughly halfway between Scotland and Norway, and about 100 miles northeast of Shetland.

The painting shows *(from left)* the production platforms Delta, Charlie, Bravo and Alpha, each towering well over 700 feet above the seabed in its steel, or concrete, socks.

They are built to withstand one-hundred foot waves and winds gusting up to 160 mph while continuing to collect oil and gas, 24 hours a day, from rock depths lying some two miles beneath the sea-floor.

Floating in the far distance *(bottom right)* is the drilling rig Stadrill, prospecting for oil in another part of the Brent Field.

And riding the invisible seas with contemptuous ease *(top right)* is the 23,000 ton semi-submersible, pipe-laying barge Semac I.

FLAGS: a major new gas-gathering scheme in the North Sea.

We used Semac I to lay one of the world's longest, largest, deepest undersea pipelines. (The painting shows the pipe being fed over the stern of the barge and trailing down to the seabed.)

The pipeline is the backbone of a major new North Sea gas-gathering scheme known to the oil industry as FLAGS: Far North Liquids & Associated Gas System.

It will enable us to bring ashore the substantial and hitherto untapped gas reserves of Brent and other oilfields in the northern North Sea.

The FLAGS pipeline, 36" across and made of steel coated with concrete, runs 280 miles along the seabed between the Brent Field and St. Fergus in Scotland.

Laying it was an astonishing feat.

The North Sea is no millpond. It is quite the most hostile stretch of water the oil and gas industry has ever tackled.

Much of the pipeline was laid in appalling weather: force 10 gales, thick fog rolling in the troughs between giant waves, zero visibility.

The FLAGS system will before long be supplying some 12% of Britain's gas needs. (The Brent Field already supplies about an eighth of Britain's oil.)

But neither statistics nor adjectives (nor the vastness of our operating costs) can ever give you a real sense of the scale and scope of our work in the North Sea.

The Brent Field: an offshore oiltown.

The Brent Field, for instance, does not simply consist of the four great platforms attended by a pipe-laying barge and a drilling rig or two.

Several other giant structures (like the floating oil-storage and -loading facility, Spar) are nearby. And platforms may be attended by 'flotels' (floating hotels) and semi-submersible diving barges.

Tugs, tankers and supply boats ply the surface, the latter bringing in everything from drill-pipe, cement for well-casing and drilling mud, to food and fuel.

Under the surface, mini-subs and diving-bells are at work. While in the skies, helicopters constantly come and go, bringing in vital tools and flying drilling crews and other technicians in and out.

Our platforms and rigs are crewed by over 3,000 men, who manage to tuck away well over 100 tons of food each week.

Power to keep the big platforms working is generated by turbines similar to those which fly large jet aircraft.

Computer banks continuously receive and process information about subsea oilwells and the many working functions of each platform, key data being relayed simultaneously to the platforms and Shell headquarters in Aberdeen.

The cost of these operations is so immense that it beggars description.

One way of putting it is that Shell's expenditure in the North Sea has amounted to more than half a million pounds per day, every day for the last eighteen years.

When we add up our chequebook stubs, our total investment to date works out at more than £4,000 million in 1981 money. Those figures double when you include the sums invested by us on behalf of our partners.

A conquest to rival the moon-landings.

Although there are projects which cost more, in terms of sheer technological innovation there is no other achievement on earth to match the conquest of the North Sea.

We have pushed back the limits of technology so far that the only feat which invites comparison is otherworldly: the placing of the first men on the moon by NASA's Apollo space programme.

As a matter of fact, the computer-room that monitors our operations has a great deal in common with that famous control-room in Houston.

And Shell is proud to be in the forefront of an endeavour which only twenty years ago, would have been dismissed as pure science-fiction.

You can be sure of Shell

THE PROPERTY MARKET

BY MICHAEL CASSELL

Trade Centre gets tenants

ABOUT one-third of the floorspace in Taylor Woodrow's International House, the office scheme which forms the second phase of the London World Trade Centre complex, has been let at rents of between £14 and £15 a sq ft.

The lettings, five separate transactions so far and the prospects of more in the pipeline, will come as something of a relief to St Katharine-by-the-Tower, the wholly owned Taylor Woodrow subsidiary, which developed the building and which has been looking for tenants since last September.

The 350,000 sq ft gross building has been widely portrayed as a difficult scheme to let, given its attractive but off-centre locations and the weak lettings market which has badly mauled fringe accommodation.

One tenant has already moved in and four more tenants have signed leases. Collectively, the deals account for just under 70,000 sq ft of the 200,000 sq ft of lettable space. The largest space-taker is a UK shipping group, accounting for about 18,000 sq ft. Other tenants include Consafe (UK), the brokers and London Salvage.

Peter Drew, the man who is synonymous with St Katharine's, admits to being surprised at the sudden letting successes, which have come after nine months of hard selling. He denies, however, rampant rumours that space is being let at around £11 a sq ft (though the building is draped with signs offering it from that price upwards), or that he was originally looking for over £20 a sq ft.

"We expected around £16 a sq ft but when the rates went up we had to adjust our expectations. All the space taken so far has gone for between £14 and £15 a sq ft and I am delighted."

Mr Drew, who has spent the last few days in final negotiations with tenants, says there has been a remarkable increase in interest in the air-conditioned building — formally completed last week—and more deals are on the way. "There has been a massive jump in activity and I am most surprised at the apparent upturn in the market. I am loath to make too much of it in case it evaporates as quickly as it arose."

So far, all the tenants lined up have been UK companies, although a Japanese tenant is now possibly in line for space.

Of the long and closely watched search for occupants, Mr Drew comments: "We did not borrow money to finance the development and were, if necessary, prepared to wait. We were equally determined to get good, substantial tenants and they have started to show real interest.

"I must confess I have been taken aback by the turn of events but I am not surprised that tenants can see the virtue of top quality office space in such pleasant surroundings."

"Estate agents go on about the poor location but office staff, and therefore employers, are paying increasing attention to the working environment. Estate agents do not, after all, have that much experience in taking space themselves."

For the record, St Katherine's enlisted the help of Knight Frank and Rutley in the early stages but has more recently been employing an "any agent with a worthwhile introduction" philosophy. It seems to have paid off.

IN BRIEF

● Crusader Insurance, which is refurbishing 128-9 Minories, E.C.3, has let the 4,250 sq ft building to Golden Ocean at a starting rent of £72,500 a year. Crusader were advised by Baker Harris Saunders and Herring Son and Daw while Phillips Roth acted for the tenant.

● Wyndham Investments has paid £2.25m to the Commission for the New Towns for a long leasehold interest in a warehouse development close to Gatwick airport at Crawley in Sussex. Wyndham will pay a peppercorn rent during the 125-year lease and have leased back the space to the Commission at an annual rent of around £161,000 a year. Debenham Tewson and Chinnocks acted for the purchaser.

● Savills have sold their long leasehold at 5 Mount Street, to an overseas bank. A premium of £900,000 had been quoted and the final price was close to that figure. There is 3,065 sq ft of office space and 1,815 sq ft residential accommodation.

● Associated Cement Pension Trustees have paid just under £1m for a freehold shop at 45-47 Montague Street, Worthing. Let to Zales at £35,000 a year, the vendor of the property was Cannon Assurance Property Fund. Conrad Ritblat acted for Cannon and St Quintin advised ACPT.

Unholy row over churchyard site

WHILE the Royal Borough of Kensington and Chelsea has assumed the role of villain in the somewhat timely demolition of its old town hall, so neighbouring Westminster City Council is emerging as the champion in a fight to prevent a major office development on its own doorstep.

Westminster is vigorously opposing plans by the London Diocesan Fund to sell off a historic burial ground which constitutes the only remaining open space along Victoria Street between Parliament Square and Grosvenor Gardens.

Christ Church burial ground, on the corner of Broadway and Victoria Street, is next door to Windsor House, the distinctive headquarters building of BAT Industries, and opposite Artillery Mansions, now the subject of its own major redevelopment proposals.

The site has been an open space for over 350 years and the Church is clearly fully aware of the development potential of a space which the City council has maintained under a £1-a-year rental arrangement with the Rector of St Margarets. The licence expires, however in 1984, and the Diocesan Fund has told the council that it proposes to recommend disposal of the land without any limitation of use.

Few sites could have greater potential. Victoria Street represents the prime patch for local office accommodation and sale of the land would be guaranteed to bring investors and developers rushing to the scene. Top rents locally have reached £19-£20 a sq ft and any new scheme at this spot would be certain to match or beat any rental figure prevailing at the time of development.

Westminster is standing firm and says that use of the land as open space provides an important and valuable local amenity, in the shape of a breathing space between the daunting string of tower blocks along Victoria Street.

The Diocesan Fund is anxious not to get embroiled in an unholy row over the site but seems determined to press on.

Among those buried at Christ Church is Colonel Blood, the adventurer who tried to steal the Crown Jewels from the Tower of London. Permission for development—which would inevitably involve an inquiry—could provide the sort of prize the Colonel would have appreciated.

Back in Kensington High Street, the GLC seems likely to make every effort to make the council regret its initiative in ordering the demolition of most of the town hall. Its destruction came shortly before the GLC was to protect the building with the use of a conservation area order. Leslie Melville of County and District, the Costain subsidiary which wants to redevelop the site, says the stands four-square with the council and is now working on revised plans which, if accepted, would clear the way for site purchase and development. Previous plans have just been turned down on appeal.

New issue at NAPUT

NORTH American Property Unit Trust is to make its 13th issue of units—at £43,635, the tenth successive increase in unit price—on July 14.

The Trust's net equity now stands at about £92m and combined capital and income growth since its establishment in 1975 stands at 172 per cent, equivalent to an annual average return of about 16.5 per cent.

Gross value of the NAPUT portfolio amounts to US$256m. Built up with various partners, it has interests in 2.3m sq ft of offices and 4.2m sq ft of retail space. Its commitment to retail, according to the Trust, will help defend it in the face of the current market weakness.

● Tarmac Properties' 22,000 sq ft office scheme in Scarbrook Road, Croydon, has been sold for about £3m by Jones Lang Wootton to Friends' Provident managed pension fund, advised by Kinney and Green. The building has a 125-year ground-lease from the borough of Croydon and was pre-let.

● The Post Office Insurance Society has paid £950,000 for the new freehold office-residential investment known as Roda House in Grays Inn Road, W.C.1. Residential space is let at a peppercorn rent to Camden while Redpath Offshore Design pays £73,000 a year for the office space. Keith Cardale Groves acted for the PO and Edward Erdman for the vendors.

Greencoat gears up for more development

GREENCOAT Properties' decision to part with paper to acquire and fund a development site in Hertford is the latest initiative from a company which has undergone quite a transformation in the last twelve months.

In a deal announced this week, Greencoat is to issue 10m shares to acquire Hibsons Securities, a property investment company with the Hertford site and about £700,000 cash under its belt. The purchase will cost Greencoat an estimated £1.7m.

Overshadowed

Greencoat has a chequered history, scattered with takeover sagas and recently overshadowed by the wretched Grancanal apartment complex in Paris.

Last year, Guinness Peat Financial Services placed their 49 per cent holding in the company on the market, leaving Fairclough Construction (11.6 per cent post issue) as the largest single shareholder and a sizeable proportion of the equity with institutional holders.

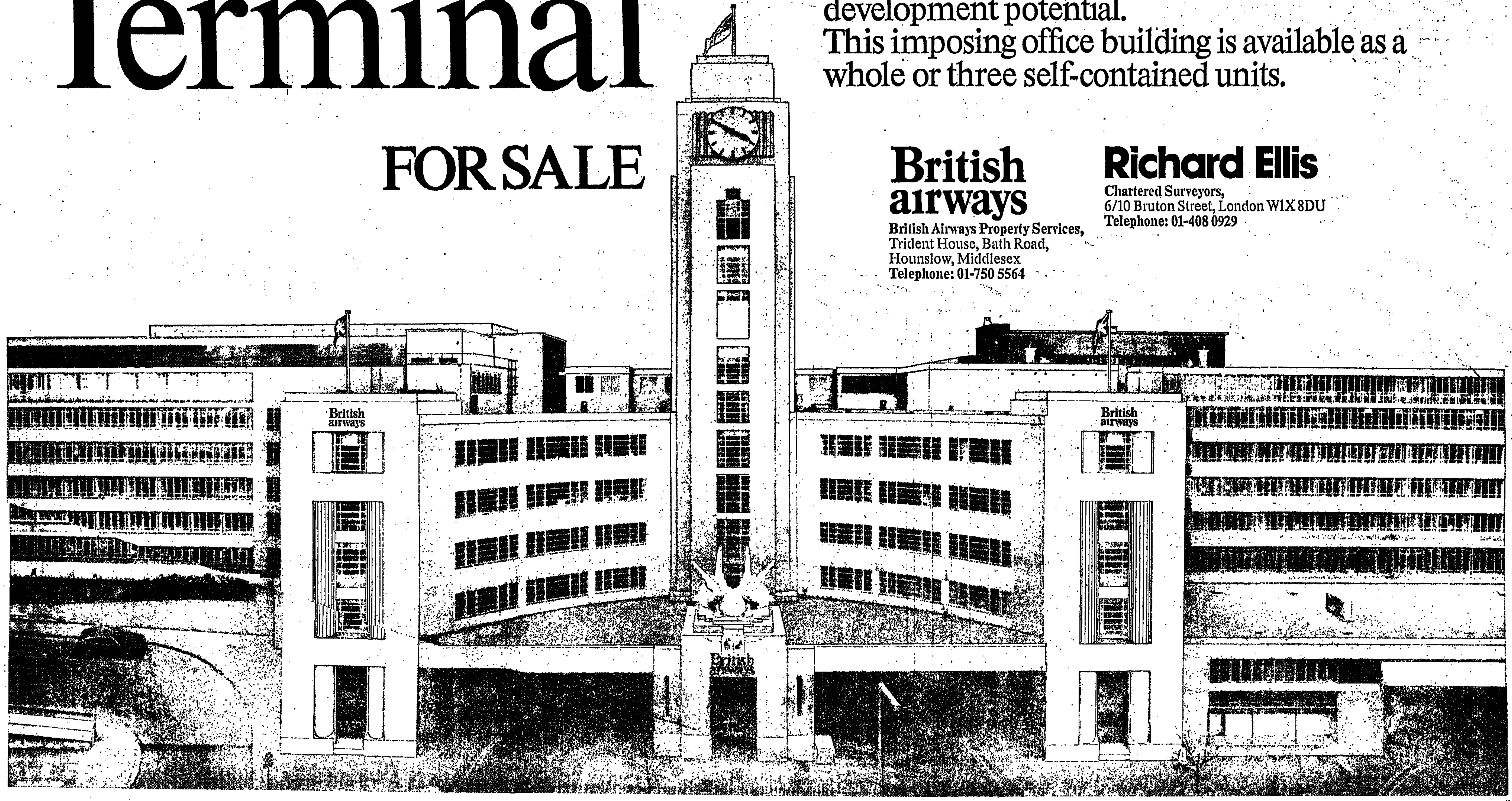
New management also arrived in the shape of David Houghton, managing director, a long-time property man. Since then, the company has been pursuing its return to profitability and talking of an increasing development and investment programme.

At Hertford, the company takes over a site which is close to the new shopping scheme on the old bus station complex and adjoining the Abbey Life "Bull Plain" development. There is planning permission for 10,600 sq ft of retail space and 9,200 sq ft of offices and Jones Lang Wootton puts the current market value of the property at £1m.

David Houghton says the completed scheme, in which there has already been interest, will be retained in the company's investment portfolio. He emphasises that Greencoat intends to concentrate on direct purchase of small companies like Hibsons and on the acquisition of development sites. At the same time, it has started a project management operation which is expected to provide a useful source of future profits. Letting of the Kingston shops and offices scheme continues and plans are in hand for a development on the corner of Earls Court Road and Kensington High Street in London.

As for Paris, the nightmare is over. No further provisions are thought necessary for losses at Grancanal and all but six of the 860 flats originally developed have now been sold. Mr Stoughton assigns the Paris adventure to history and shows more interest in what lies ahead than in trying to defend the mistakes of some of his predecessors.

For the first time in six years, Greencoat appears to have reasonable grounds for looking confident and for being able to do more than merely talk about taking advantage of new development and investment opportunities.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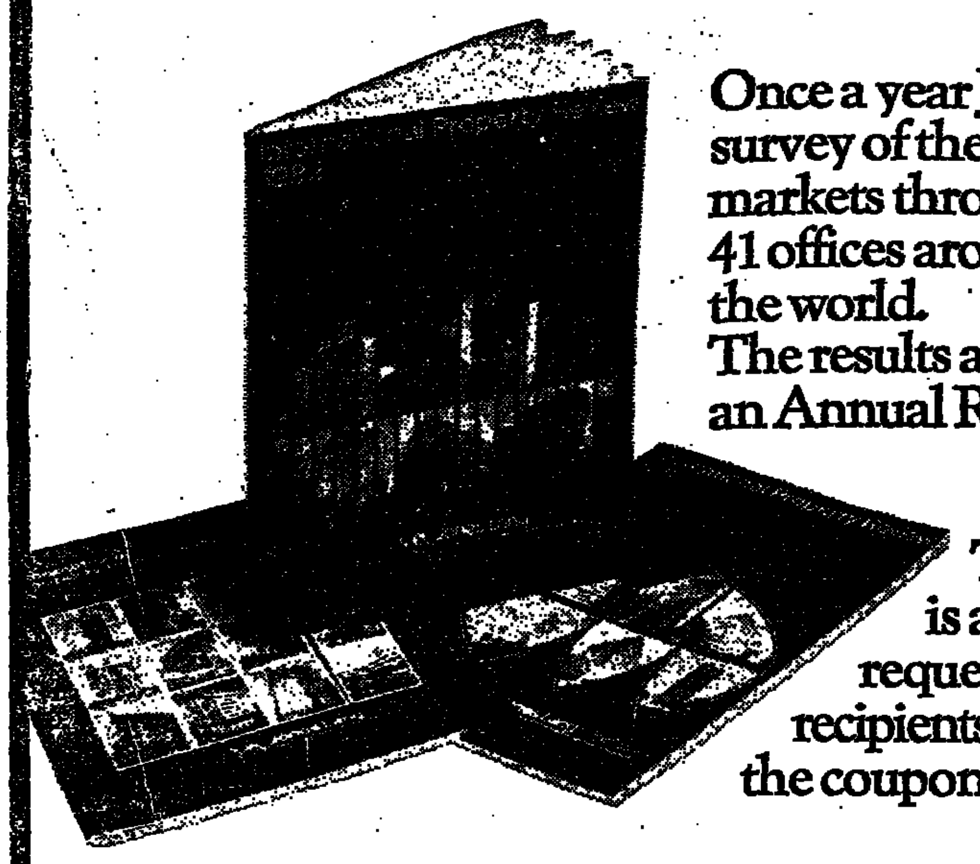

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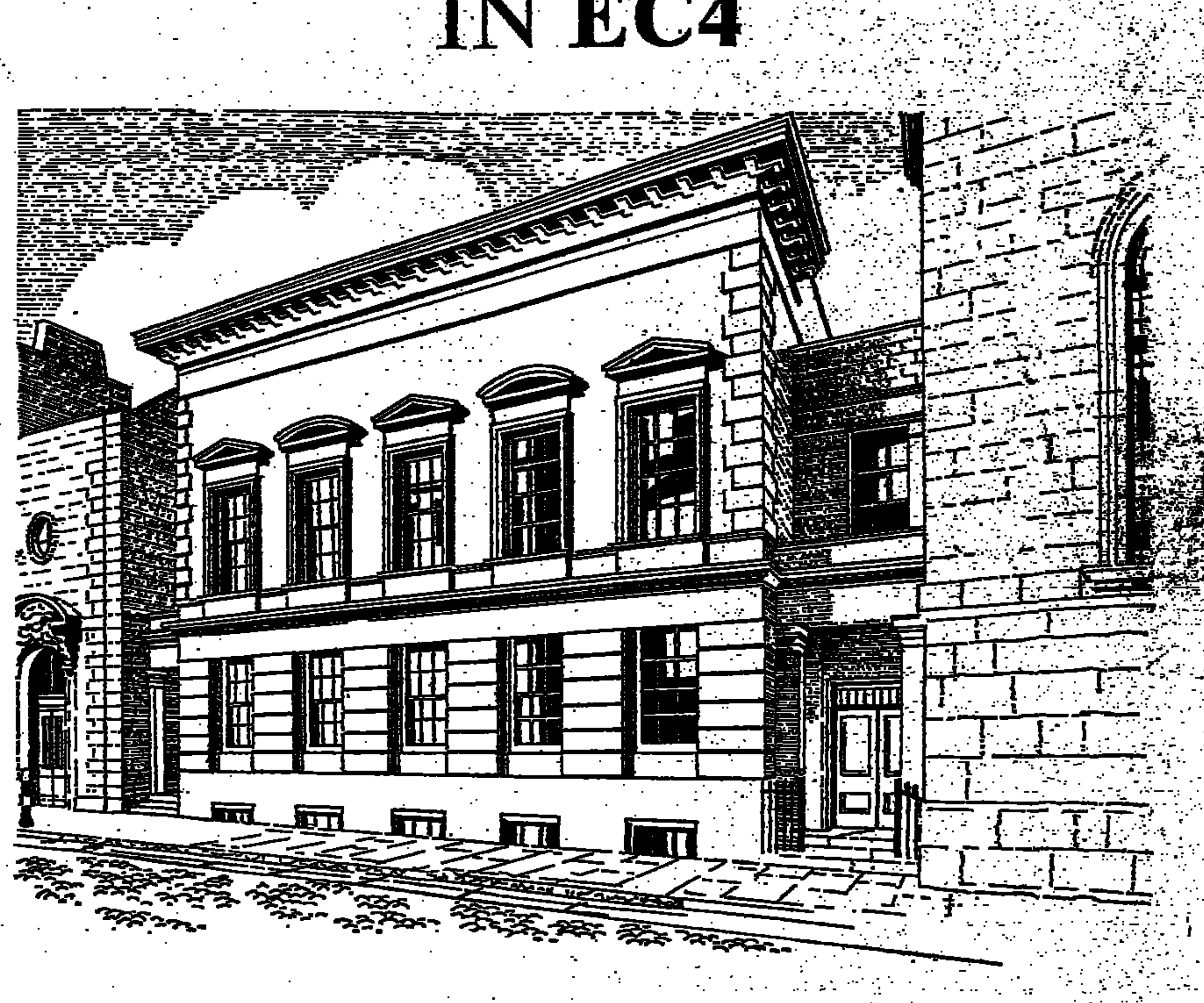

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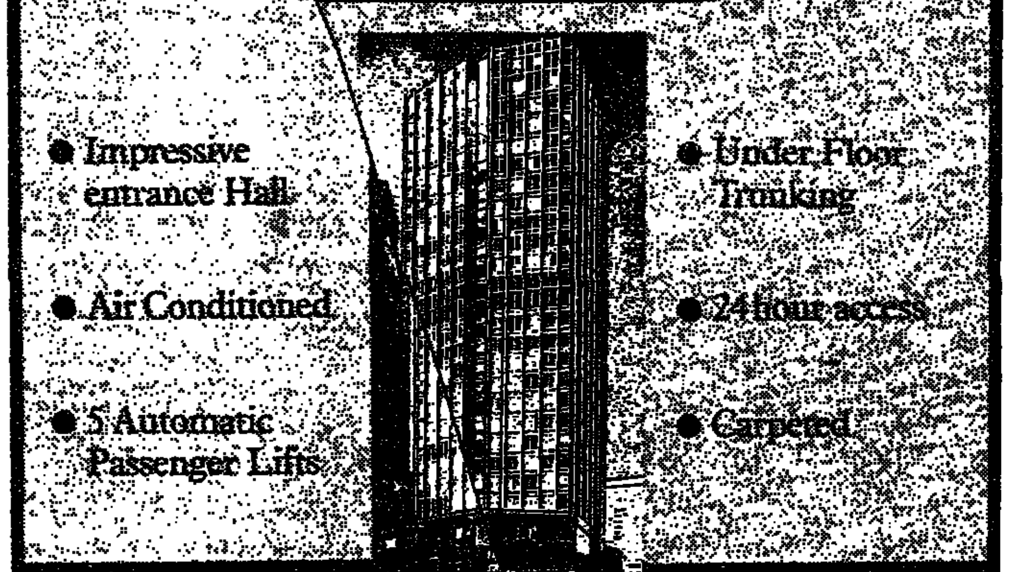

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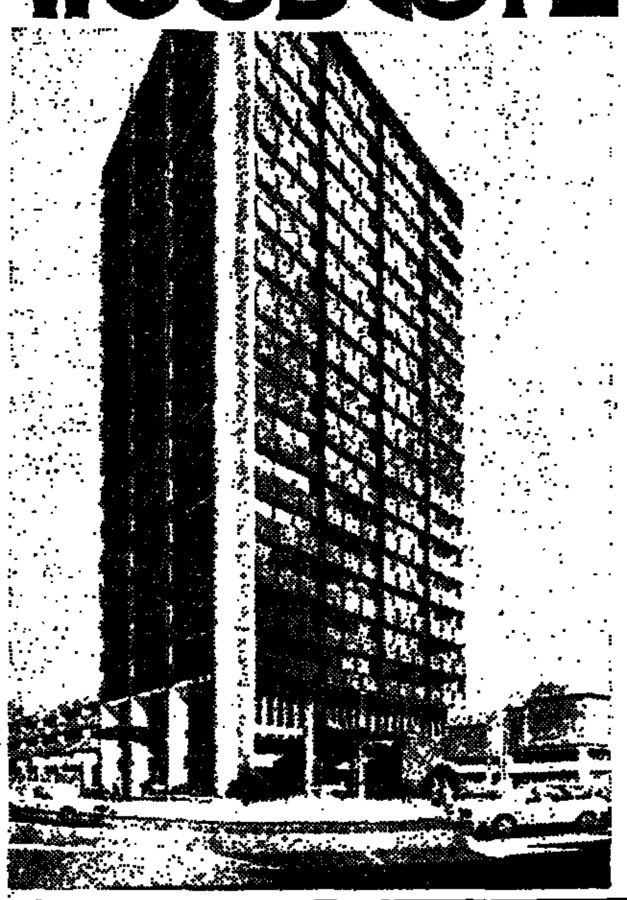

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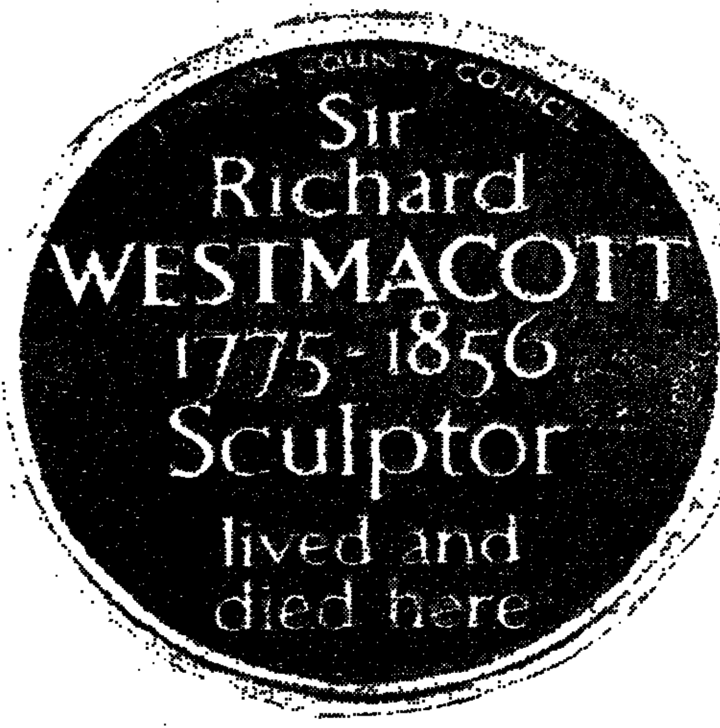

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COMPANY NOTICES

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) in OKUMURA CORPORATION

The Annual General Meeting of shareholders of Okumura Corporation will be held on June 30, 1982

AGENDA

1. Approval of Financial Statements and appropriation of retained earnings for Fiscal Term from April 1, 1981 to March 31, 1982.
2. Partial amendment of Articles of Incorporation.
3. Revision of Directors and Auditors remuneration. (Full text of Notice is available at Citibank, N.A. London.)

Shareholders who wish to exercise their voting rights must deposit their certificates not later than June 25, 1982, at the offices of the Depositary, Citibank, N.A. 336 Strand, London WC2R 1HB or the Agent, Citibank (Luxembourg) S.A., 16 Avenue Marie Therese Luxembourg, together with the instructions indicating the way the shares be voted.

CITIBANK, N.A., London Depositary

June 18, 1982

CENTRAL FINANCE CO., LIMITED

£10,000,000 6¼% CONVERTIBLE BONDS 1996

In accordance with the Trust Deed notice is hereby given that one of the Paying and Conversion Agents, The Industrial Bank of Japan (Luxembourg) S.A. has moved to a new address at 25 Boulevard Royal, Luxembourg. Their new mailing address is P.O. Box 68, L-2010 Luxembourg.

MORGAN GRENFELL & CO. LIMITED
Principal Paying Agent.

18th June, 1982.

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ANGLO AMERICAN INVESTMENT TRUST LIMITED
(Incorporated in the Republic of South Africa)

PREFERENCE DIVIDEND No. 55

Dividend No. 55 of three per cent, equivalent to six cents per share in respect of the six months ending June 30 1982, has been declared payable on August 16 1982 to holders of the six per cent cumulative preference shares registered in the books of the company at the close of business on June 30 1982.

The preference share transfer registers and registers of preference shareholders will be closed from July 1 to July 16 1982, both days inclusive, and warrants will be posted from the Johannesburg and United Kingdom offices of the transfer secretaries on or about August 14 1982. Registered shareholders paid from the United Kingdom will receive the United Kingdom currency equivalent on July 5 1982 of the rand value of their dividends (less appropriate taxes). Any such shareholders may, however, elect to be paid in South African currency provided that the request is received at the offices of the company's transfer secretaries on or before June 30 1982.

The effective rate of non-resident shareholders' tax is 14.9462 per cent.

The dividend is payable subject to conditions which can be inspected at the head and London offices of the company and at the offices of the company's transfer secretaries, Consolidated Share Registrars Limited, 62 Marshall Street, Johannesburg 2001 and Charter Consolidated P.L.C., Charter House, Park Street, Ashford, Kent TN24 8EQ.

By order of the board

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
Secretaries
per D. M. Davidson
Divisional Secretary

Head Office:
44 Main Street
Johannesburg 2001
June 18 1982

TRADINVEST BANK AND TRUST COMPANY OF NASSAU LIMITED

US$150,000,000 Floating Rate Notes 1981/1989
Retractable at Noteholder's Option in 1987
Guaranteed by Ente Nazionale Idrocarburi E.N.I.

Bondholders are hereby informed that the rate applicable to the second period of interest has been fixed at 15⅞%.

The Coupon No. 2 will be payable on the 7th December 1982 at the price of US$806.98 representing 183 days of interest, covering the period as from 17th June 1982 to 16th December 1982 inclusive.

The Reference Agent
CREDIT LYONNAIS
Luxembourg

TRAFALGAR FUND
Société Anonyme

Registered Office:
LUXEMBOURG, 14, rue Aldringen
Commercial Register:
Section B No. 8.198

DIVIDEND ANNOUNCEMENT

TRAFALGAR FUND, S.A. will pay a $ USA 4.50 dividend per share on or after June 18th, 1982 to holders on record on June 8th, 1982. Shares will be traded ex-dividend after June 8th, 1982.

The dividend is payable to holders of bearer shares against presentation of coupon No. 7 at:

—Banque Générale du Luxembourg, S.A., 27, avenue Monterey, LUXEMBOURG;
—J. Henry Schroeder Wagg & Co. Limited, 120, Cheapside, LONDON EC2V 6DS.

The Board of Directors.

THE INDUSTRIAL CREDIT AND INVESTMENT CORPORATION OF INDIA LIMITED — I.C.I.C.I.

US$30,000,000 Floating Rate Notes 1981/1991
Unconditionally guaranteed by the State of India

Bondholders are hereby informed that the rate applicable for the second period of interest has been fixed at 15¹⁄₁₆%.

The Coupon No. 2 will be payable at the price of US$395.55 on the 16th December 1982, representing 183 days of interest, covering the period as from 16th June 1982 to 15th December 1982 inclusive.

The Reference Agent and Principal Paying Agent
CREDIT LYONNAIS
Luxembourg

NOTICE OF PURCHASE EUROPEAN INVESTMENT BANK

ECU 40,000,000
13½% 1981/1989 Bonds

Pursuant to the terms and conditions of the bonds, notice is hereby given to bondholders that during the eleven-month period ending 10th June, 1982, ECUs 850,000 of the European Investment Bank's 13½% ECU payable Bonds of 1981, due 11th June 1989, were purchased by the purchase agent for account of such bank.

As of 11th June 1982, the principal amount of such bonds remaining in circulation was ECUs 39,150,000.

EUROPEAN INVESTMENT BANK

Luxembourg
June 18, 1982

CANADIAN PACIFIC LIMITED
(Incorporated in Canada)

DIVIDEND NOTICE

At a Meeting of the Board of Directors held today, the following dividends were declared:

ORDINARY CAPITAL STOCK

A quarterly dividend of forty-seven point five cents (47.5c) per share on the outstanding Ordinary Capital Stock, payable in Canadian funds on July 28 1982, to shareholders of record as at the close of business on June 28 1982.

7¼% CUMULATIVE REDEEMABLE PREFERRED SHARES, SERIES A

A semi-annual dividend of thirty-six point twenty-five cents (36.25c) per share on the outstanding 7¼% Cumulative Redeemable Preferred Shares, Series A, payable in Canadian funds on July 28 1982, to shareholders of record as at the close of business on June 28 1982.

4% PREFERENCE STOCK

A semi-annual dividend of two per cent (2%) on the outstanding 4% Preference Stock in respect of the year 1982, payable on July 28 1982, to stockholders of record as at the close of business on June 28 1982.

By order of the Board,
J. C. AMES,
Vice-President and Secretary.

Calgary, June 14 1982.

NOTICE OF RATE OF INTEREST NBE FINANCE (CAYMAN) LIMITED

US $40,000,000 GTD. FLOATING RATE SERIAL NOTES 1987

In accordance with the provisions of the Reference Agency Agreement between NBE Finance (Cayman) Ltd. and Citibank, N.A., dated June 15, 1982, notice is hereby given that the Rate of Interest for the initial Interest Period has been fixed at 16¼% p.a. and that the interest payable on the relevant Interest Payment Date, December 17, 1982, against Coupon No. 1 will be US $819.69 and has been computed on the actual number of days elapsed (183) divided by 360.

By: CITIBANK, N.A.
Reference Agent

June 18, 1982.

De Beers Consolidated Mines Limited
Incorporated in the Republic of South Africa

NOTICE TO HOLDERS OF PREFERENCE SHARE WARRANTS TO BEARER

PAYMENT OF COUPON NO. 146

With reference to the notice of declaration of dividend advertised in the press on 26th May, 1982, the following information is published for holders of share warrants to bearer.

The dividend of one rand (R1.00) per share was declared in South African currency. South African non-resident shareholders' tax at 11.001 cents per share will be deducted from the dividend payable in respect of all share warrant coupons leaving a net dividend of 88.999 cents per share.

The dividend on bearer shares will be paid on or after 30th July, 1982 against surrender of coupon No. 146 detached from share warrants to bearer as under:

(a) At the offices of the following continental paying agents:

L'Européenne de Banque, 21 rue Laffitte, 75428 Paris.
Banque Bruxelles Lambert, 24 Avenue Marnix, 1050 Brussels.
Societe Generale de Banque, 3 Montagne du Parc, 1000 Brussels.
Credit Suisse, Paradeplatz 8, 8021 Zurich.
Union Bank of Switzerland, Bahnhofstrasse 45, 8021 Zurich.
Swiss Bank Corporation, 1 Aeschenvorstadt, 4002 Basle.
Banque Internationale a Luxembourg S.A. 2 Boulevard Royal, Luxembourg.

Payments in respect of coupons lodged at the offices of a continental paying agent will be made in South African currency to an authorised dealer in exchange in the Republic of South Africa nominated by the continental paying agent. Instructions regarding disposal of the proceeds of the payment so made can only be given to such authorised dealer by the continental paying agent concerned.

(b) At the London Bearer Reception Office of Charter Consolidated P.L.C., 40 Holborn Viaduct, London EC1P 1AJ. Unless persons depositing coupons at such office request payment in rand to an address in the Republic of South Africa, payment will be made in United Kingdom currency either:

(i) in respect of coupons lodged on or prior to 23rd July, 1982 at the United Kingdom currency equivalent of the rand currency value of their dividend on 28th June, 1982; or

(ii) in respect of coupons lodged after 23rd July, 1982 at the prevailing rate of exchange on the day the proceeds are remitted, through an authorised dealer in exchange in Johannesburg to the London Bearer Reception Office.

Coupons must be left for at least four clear days for examination and may be presented any weekday (Saturday excepted) between the hours of 10.00 a.m. and 3.00 p.m.

United Kingdom income tax will be deducted from payments to any person in the United Kingdom in respect of coupons deposited at the London Bearer Reception Office, unless such coupons are accompanied by Inland Revenue non-residence declaration forms. Where such deduction is made, the net amount of the dividend will be the United Kingdom currency equivalent of 70 cents per share arrived at as follows:

	South African Currency Cents Per Share
Amount of dividend declared	100.000
Less: South African non-resident shareholders' tax at 11.001%	11.001
	88.999
Less: U.K. income tax at 18.999% on the gross amount of the dividend of 100 cents	18.999
	70.000

For and on behalf of
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
London Secretaries
J. C. Greensmith

NOTE:
The Company has been requested by the Commissioners of Inland Revenue to state:

Under the double tax agreement between the United Kingdom and the Republic of South Africa, the South African non-resident shareholders' tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 18.999% instead of the basic rate of 30% represents an allowance of credit at the rate of 11.001%.

London Office:
40 Holborn Viaduct,
London EC1P 1AJ.
17th June, 1982.

De Beers
De Beers Consolidated Mines Limited

AFRICAN AND EUROPEAN INVESTMENT COMPANY LIMITED
(Incorporated in the Republic of South Africa)

NOTICE TO HOLDERS OF PREFERENCE STOCK WARRANTS TO BEARER

PAYMENT OF COUPON NO. 69

With reference to the notice of declaration of dividend advertised in the Press on 8th June, 1982, the following information is published for the guidance of holders of stock warrants to bearer.

The dividend of 3 cents per unit of stock was declared in South African currency. South African non-resident shareholders' tax at 0.45 cents per unit of stock will be deducted from the dividend payable in respect of all stock warrant coupons leaving a net dividend of 2.55 cents per unit of stock.

The dividend on bearer stock will be paid on or after 16th August, 1982 against surrender of coupon No. 69 detached from the stock warrants to bearer as under:—

(a) At the office of the following continental paying agent:

Credit du Nord,
6-8 Boulevard Haussmann,
75009 Paris.

In respect of coupons lodged at the office of the continental paying agent the dividend payment will be made in South African currency to an authorised dealer in exchange in the Republic of South Africa nominated by the continental paying agent. Instructions regarding disposal of the proceeds of the payment so made must be given to such authorised dealer by the continental paying agent concerned.

(b) At the London Bearer Reception Office of Charter Consolidated P.L.C., 40 Holborn Viaduct, London EC1P 1AJ. Unless persons depositing coupons at such office request payment in rand to an address in the Republic of South Africa, payment will be made in United Kingdom currency either:

(i) in respect of coupons lodged on or prior to 9th August, 1982 at the United Kingdom currency equivalent of the rand currency value of their dividend on 5th July, 1982 or;

(ii) in respect of coupons lodged after 9th August, 1982 at the prevailing rate of exchange on the day the proceeds are remitted, through an authorised dealer in exchange in Johannesburg to the London Bearer Reception Office.

Coupons must be left for at least four clear days for examination and may be presented any weekday (Saturday excepted) between the hours of 10 a.m. and 3 p.m.

United Kingdom income tax will be deducted from payments to any person in the United Kingdom in respect of coupons deposited at the London Bearer Reception Office, unless such coupons are accompanied by Inland Revenue non-residence declaration forms. Where such deduction is made, the net amount of the dividend will be the United Kingdom currency equivalent of 2.10 cents per unit of stock in terms of sub-paragraph (b) above arrived at as follows:

	South African Currency Cents per Unit of Stock
Amount of dividend declared	3.00
Less: South African Non-Resident Shareholders' tax at 15%	0.45
	2.55
Less: U.K. income tax at 15% of the gross amount of the dividend of 3 cents	0.45
	2.10

For and on behalf of
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
London Secretaries
J. C. Greensmith

Notes
The Company has been requested by the Commissioners of Inland Revenue to state:

Under the double tax agreement between the United Kingdom and the Republic of South Africa, the South African non-resident shareholders' tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 15% instead of at the basic rate of 30% represents an allowance of credit at the rate of 15%.

London Office:
40 Holborn Viaduct,
London EC1P 1AJ.
17th June, 1982.

ENSO-GUTZEIT OSAKEYHTIO
8% 1973/1988 FF 100,000,000

Notice is hereby given to Bondholders of the above Loan that the amount redeemable on July 16, 1982, i.e. FF 4,000,000 was bought in the market.

Amount outstanding: FF 74,000,000

Luxembourg, June 18, 1982

THE FISCAL AGENT
KREDIETBANK
S.A. LUXEMBOURGEOISE

MINERALS AND RESOURCES CORPORATION LIMITED

U.S.$60,000,000 9¼% CONVERTIBLE SUBORDINATED BONDS 1997

Minerals and Resources Corporation Limited (the "Corporation") hereby advises holders of the above Bonds, pursuant to Condition 3(A) of the Terms and Conditions of the said Bonds, that the first day on which Conversion Rights may be exercised is 8th July, 1982 being ninety days after completion of the distribution of the Bonds. Thereafter Conversion Rights may (subject as provided in the said Terms and Conditions) be exercised at any time up to and including 23rd January, 1997.

Holders are reminded that (subject to adjustment as referred to in the said Terms and Conditions) the Conversion Price is U.S.$8.16 per fully paid Ordinary Share of Bermudian Dollars 1.40 of the Corporation.

The procedure for exercising Conversion Rights are set out in the said Terms and Conditions on the reverse of the Bonds.

Principal Conversion Agent:
HAMBROS BANK LIMITED
41 Bishopsgate,
London EC2P 2AA.
18th June, 1982.

Notice to the holders of bonds of the issue 8½%—1976/1986 of U.S.$23,000,000 made by the EUROPEAN COAL AND STEEL COMMUNITY

The Commission of the European Communities announces that the annual instalment of bonds amounting to US$2,875,000 has been purchased for redemption on August 2, 1982.

The amount outstanding after this date will be US$11,500,000.

Luxembourg
June 18, 1982

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN SUMITOMO ELECTRIC INDUSTRIES LTD.

The Annual General Meeting of shareholders of Sumitomo Electric Industries Ltd. will be held on June 25, 1982.

AGENDA

1. Approval of Financial Statements and appropriation of retained earnings for Fiscal Term from April 1, 1981 to March 31, 1982.
2. Partial amendment of Articles of Incorporation.
3. Election and appointment of 22 Directors.
4. Election and appointment of 1 Auditor.
5. Revision of Directors' and Auditors' remuneration. (Full text of Notice is available at Citibank, N.A., London.)

Shareholders who wish to exercise their voting rights must deposit their certificates not later than June 23, 1982, at the offices of the Depositary, Citibank, N.A., 336 Strand, London WC2R 1HB, or the Agent, Citibank (Luxembourg) S.A., 16 Avenue Marie Therese, Luxembourg together with instructions indicating the way the shares be voted.

CITIBANK, N.A.
London Depositary.

June 18, 1982

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN TSUBAKIMOTO PRECISION PRODUCTS CO., LTD.

The 80th Ordinary General Meeting of shareholders of Tsubakimoto Precision Products Co., Ltd will be held on 29 June, 1982.

AGENDA

1. Approval of Financial Statements and proposed appropriation of profits for the 80th Term (April 1, 1981 through March 31, 1982).
2. Partial revision of the Articles of Incorporation.
3. Election of eight Directors.
4. Revision of remuneration for Directors and Auditors.
5. Presentation of retirement allowance to retiring Directors. (Full text of Notice is available at Citibank, N.A., London.)

Shareholders who wish to exercise their voting rights must deposit their certificates not later than 24 June, 1982, at the offices of the Depositary, Citibank, N.A., 336 Strand, London, WC2R 1HB, or the Agent, Citibank (Luxembourg) S.A., 16 Avenue Marie Therese, Luxembourg, together with instructions indicating the way the shares be voted.

CITIBANK, N.A.
London Depositary

June 18, 1982

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

BMW—a car maker defiantly out of step

Kenneth Gooding reports on why the West German manufacturer is so confident about its strategy for the future

WHILE THE world's car manufacturing industry has been changing shape and contracting dramatically in recent years, BMW, the West German company, has not only remained among the survivors but has staged a revival from near bankruptcy.

In Europe, the number of independently-managed car businesses has whittled down from 36 in 1964 to 18. Many observers insisted during this drive that the attrition would continue and that BMW would not remain independent for much longer.

And some still argue that the company is neither small enough nor large enough to

survive in an industry where a group is reckoned to need an output of 2m vehicles a year to compete on a world-wide scale or to produce some very special cars for just a few thousand customers.

BMW's car output last year totalled 351,545, placing it 25th in the table of world producers which was led by General Motors (3.925m). Toyota (2.24m), Nissan (1.86m), VAG, the Volkswagen-Audi group (1.46m) and Ford (1.32m).

In the European league, BMW is ranked seventh after VAG, Renault (1.29m), the Peugeot-Citroen-Talbot combine (1.31m), Fiat (1.12m), Daimler-Benz (0.45m) and BL (0.42m).

Those who maintain BMW is in danger point out, too, that its policy of finding niches in the car market is under pressure. The mass producers are finding ways of filling every conceivable gap and, though they might not be particularly successful with the special cars, their very presence removes a great deal of the pricing freedom BMW previously could count on.

It is also suggested that BMW could be hurt by the growing protectionism which is making exporting cars in the tradtional way much more difficult.

Companies are under pressure at least to assemble cars in the markets where they are sold in any quantity rather than simply make them in one country and send them in built-up form around the world.

BMW suffers a cost disadvantage because of its relatively low output, yet must continue to pay the huge "entry fee" for the technological advances it must offer, the argument continues.

For BMW must convince customers that it is worth paying a handsome premium for its cars so that it can charge enough to offset the higher cost of production.

Over the past few years BMW has been spending 10 to 12 per cent of turnover on research and development—the highest in Europe as a percentage of turnover (which was DM 7.8bn, equivalent to £1.8bn last year).

And there have been recent adverse financial trends even though the company's car output has climbed steadily. After-tax earnings fell 9 per cent to DM 145m in 1981—the second year they were under severe pressure. The dividend was cut by 10 per cent from DM 10 to DM 9. And for the second successive year BMW spent more than it earned on its capital investment programme. Even so, capital investment will be held at DM 1bn a year until 1986.

To help bridge the gap, BMW is making a rights issue to raise DM 160m (about £37.6m).

It will have no difficulty raising the money. Von Kuenheim points out that, taking into account both the dividends paid and the capital appreciation, investors in BMW have seen a 17 per cent pre-tax growth per year in their money over the past ten years. "Where else can you get a better interest rate?" And the Quandt family, by all accounts, forestalled any problems some time ago by ensuring a smooth transition of interests if Herbert Quandt died.

Von Kuenheim is a short, stocky man with a rather reserved personality who is held in awe by many of his colleagues. He rejects absolutely the suggestions that survival in the motor industry can be linked automatically with the size of a group's vehicle output. He points to the huge losses incurred by some of the industry's giants in recent years and maintains "a large turnover does not necessarily signify financial strength."

Von Kuenheim acknowledges the benefits of being a German company. As one observer put it: "BMW would not have survived the 1960s and 1970s if it had not been tied to Europe's strongest economy." BMW is "big" in Germany, and has 37,000 of its 43,000 employees based there for example.

He insists BMW's turnover is large enough to permit the high rate of investment needed in the motor industry and to maintain the development team to keep it ahead in the technology race. It also produces enough cars to be able to buy components at the same price as its competitors.

Then the flexibility of modern production equipment makes BMW just as efficient as its larger rivals, he claims. "The microprocessor has ended the days when it was necessary to be a mass producer of cars."

Car plants today are reckoned to be operating at maximum efficiency with a daily output of 800 or 1,000 units, depending on the technological content. The two BMW plants, at Dingolfing and Munich, produce at the 800-a-day rate.

The major change to overtake the industry's production methods in the past couple of years is that the new robots give plants the ability to produce a variety of models on the same assembly lines instead of having the line dedicated to one model only.

And by the end of this year BMW will have increased the number of robots at its plant from 40 to 300.

Von Kuenheim believes it would be dangerous for BMW to aim for more than about 6 per cent of the German car market—that would make the marque too "visible."

In the rest of the world there is plenty of room for sales expansion from a low base. For example, in the UK, one of its thriving markets, BMW increased its penetration from 0.89 to 1.15 per cent last year and believes that can be pushed up to 1.5 to 2 per cent without either damaging the "image" or producing protectionist sentiment among the local manufacturers.

Protectionism in the developing countries does not really threaten BMW's progress because 90 per cent of its sales are made in 11 developed countries. Protectionism in the developed markets is another matter and would present BMW with severe problems. Von Kuenheim explains, however, that the group's anti-protectionist stance does not stem simply from self-interest.

"The more protectionism there is in the countries with high living standards and free enterprise systems, the more problems will follow in the future. Whatever the product, the most-protected industry suffers the most in the end. A free market keeps an economy up to date."

Von Kuenheim maintains that BMW's survival depends above all on its flexibility. The motor industry will be called upon to introduce new models, new production methods and new technology at a much more hectic pace than in the past and to cope a company requires a flexible, fleet-footed management style.

Von Kuenheim says that BMW has had 13 years to develop a management team with this facility — and has management-in-depth.

BMW has a flexible international marketing organisation. It has established wholly-owned import companies in the 12 most important foreign markets, including Japan. The latest, in Spain, begins operations next month.

With wholly-owned distributors in those markets BMW could opt in the bad years to break even in export territories so that production could be kept at an economic and profitable level. But it could not ask an independent importer to accept a year without profits.

Von Kuenheim shies away from forecasting what kind of shape and size BMW will have in the longer term. He insists that the group during the next 10 years will change to suit the circumstances but will remain independent.

But controlled growth will continue so BMW will by that time have a third car assembly plant.

Von Kuenheim rejects even the idea of co-operation with another motor group as the way to survival for a medium-sized company like BMW—something Sir Michael Edwardes, among others in the industry, puts great emphasis on, witness BL's links with Honda of Japan.

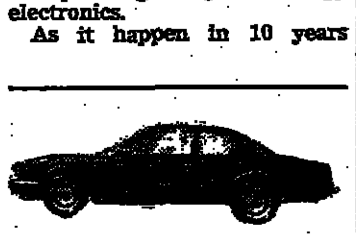
"Nobody will convince me that co-operation could help BMW. It takes too much time, too much money. People in a co-operative deal must have the same mentality, the same way of management," states Von Kuenheim.

There is growing support for the theory that the Japanese represent the greatest threat for BMW. The German group has made a point of using electronics to give its cars that something the market expects.

The Japanese have the technology available but so far have not employed it because their home market, unlike Germany, does not demand such sophistication.

However, in seven to ten years time the more aggressive of the Japanese companies will almost certainly be producing cars up to BMW standards and incorporating high-technology electronics.

As it happen in 10 years



time nearly the whole BMW top management team will be nearing retirement. Six out of seven who make up the executive management are in their mid- or early 50s, the exception being Hans-Erdmann Schoenbeck, the sales director, who is over 60 but recently signed another three-year contract.

But many motor industry pundits now have a sneaking suspicion that BMW can see out the next ten years as an independent company. And the world is changing so fast there seems little point in looking further ahead than that.

THE DEATH earlier this month of West German industrialist Herbert Quandt has revived speculation about the future survival of BMW, the car company he saved from liquidation in 1959.

BMW was close to bankruptcy then, mainly because the motoring public was so confused about its image. And no wonder, because in those days the company was producing only the two-seater Isetta and the big stately V8 "grand tourers."

Which image was the customer to accept: the down-market, utility one or that which indicated opulence and extravagence?

Bavarian pride as much as anything came to BMW's rescue. Its full name, after all, is Bayerische Motoren Werke, which translates into Bavarian Motor Works. The shareholders refused to pass the necessary vote for the liquidation.

Quandt pumped in cash and his family is reputed to have a shareholding of around 60 per cent. The Bavarian State Government played its part by giving loan guarantees.

Quandt chose Paul Hahnemann, the sales director, to restore BMW's fortunes. Hahnemann looked back to the pre-war days when BMW built its reputation with a family of sports cars. He decided the BMW cars of the 1960s should return to that formula, aimed at attracting the young executive who wanted a sportier image than Mercedes offered and with more exclusivity than Volkswagen could provide.

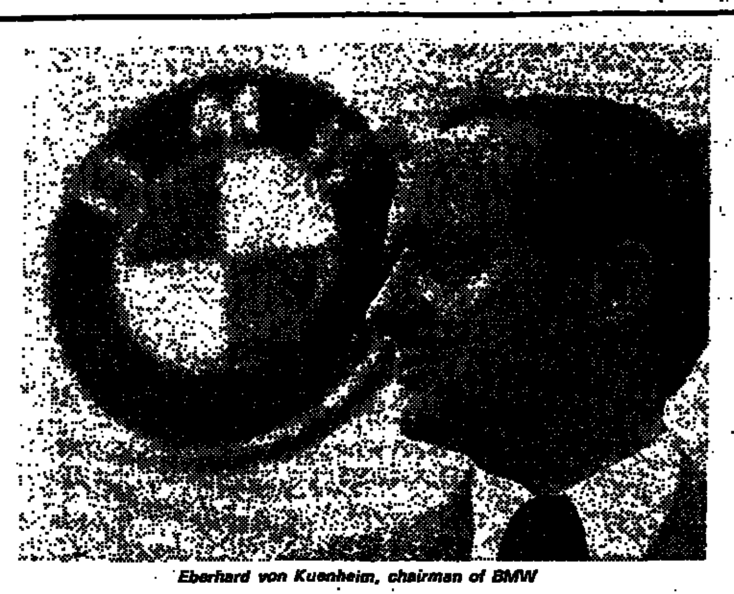
(In those days BMW's strategy was necessarily concentrated on the West German market.

The new formula was a huge success. But in October 1971 Quandt decided a change of management was required. Hahnemann resigned suddenly with only a terse communique to mark his departure. Opinion still favours the theory that Hahnemann believed the time was ripe to merge BMW into a larger group but that the rest of the Board had different ideas.

Hahnemann's role as the driving force at BMW was transferred to Eberhard von Kuenheim, now 54, an engineer born in Konigsberg, East Prussia, and who started his working life with Robert Bosch, the electronics group. He was appointed a director of the Quandt group holding company in 1965 and was responsible for technical consultation and co-ordination of the Quandt companies.

He was appointed chairman of BMW in January 1970 and Hahnemann resigned soon after.

Von Kuenheim moved BMW into export markets, realising that was perhaps the only way the company could build up the volume of car sales to an economically viable level.



Eberhard von Kuenheim, chairman of BMW

Management abstracts

A European solution to international organisation. Absatzwirtschaft (Fed. Rep. of Germany), Oct 81 (in German; English version available)

Explains why the UK's Berec Group (manufacturers of batteries; household name in UK, Ever Ready) has transferred the activities of their Swedish, Norwegian, Danish, Dutch and Belgian subsidiaries from the UK parent company to the German subsidiary. We learn that the yo-yoing of Sterling had something to do with it, but the decisive factor was the realisation that marketing techniques and patterns in all the five countries resembled Germany's very much more closely than the UK's.

Japanese multinationals in Europe. M. Takamiya in The Columbia Journal of World Business (USA), Summer 81

Compares two Japanese television manufacturers in UK, a British company, and a US one (all named); applauds the Japanese companies for their production management, interdepartmental co-operation, and industrial relations structure; warns, however, that these strengths seem only to apply when a Japanese company starts with a small workforce, and that they do not appear to be permanent in cases of acquisition or joint venture.

How to increase your budget. D. K. Lindo in Administrative Management (USA), Oct 81

Offers suggestions to help managers get a fair share of resources by treating the budgeting task as a "selling job" involving analysis of the competition and trumpet-blowing; lists do's and dont's and outlines a procedure.

Co-ordinating marketing strategy and technical planning planning. A. L. Froham D. Bitondo in Long Range Planning (UK), Dec 81

Sets out a framework for analysing technical strengths/weaknesses against market opportunities, and discusses how technological strategies may be shaped; outlines ways of co-ordinating technical and marketing functions.

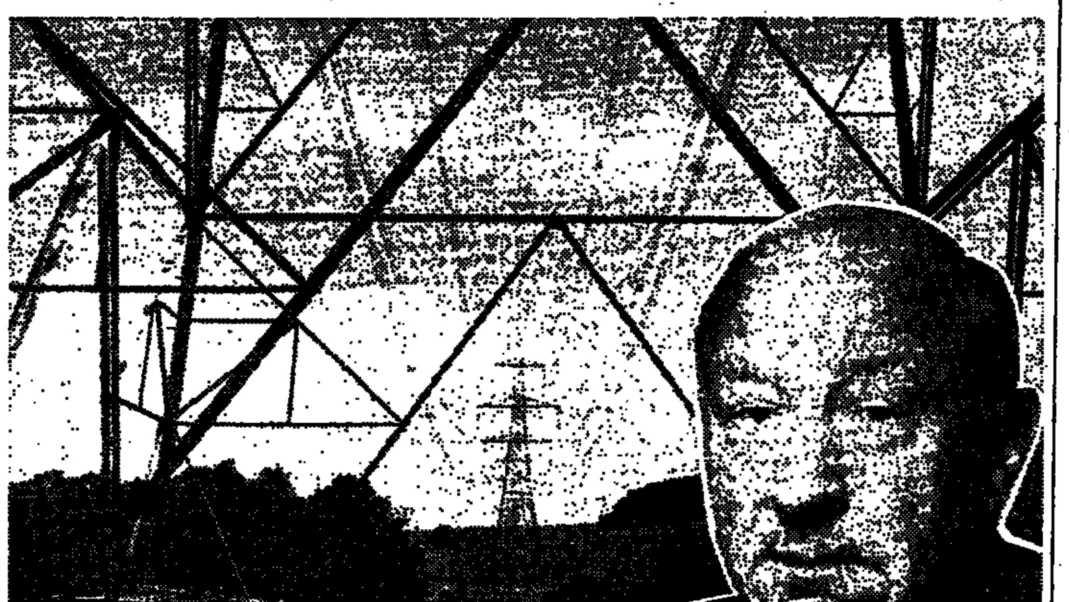
These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at £2.50 each (including VAT and p and p) (cash with order) from Anbar, P.O. Box 23, Wembley HA9 8DJ.

TECHNOLOGY

EDITED BY ALAN CANE

Lomer's Law for electrical demand

DAVID FISHLOCK, in the fourth of six profiles of engineers whose decisions will help shape large tracts of industry for the 1990s, talks to Dennis Lomer, Board member for design and construction at the Central Electricity Generating Board.



Dennis Lomer: arrived at the CEGB with a reputation for getting things done.

DENNIS LOMER, 58, has a reputation for writing a mean letter. It will say, in language untempered by phrases designed to spare the recipient's feelings: you have not done what you undertook to do, and until you do it you will not get paid. Captains of British industry have been known to complain to the Prime Minister about the temerity of this "public servant."

Lomer remains unmoved. "My philosophy is to treat the Board's money as if it were my money. Would I spend it this way? If the answer is no, I tend not to. That's what gets me into hot water," he grins.

Lomer was appointed to the Central Electricity Generating Board in 1977. He arrived with a big reputation in the electricity supply industry for getting things done; for pinpointing the weaknesses in project management.

He inherited a dismal situation in which a state of anarchy reigned on many of the CEGB's power station construction sites. The multiplicity of trades and skills required to build a power station had led to leapfrogging demands for more pay and long delays each time trouble struck.

Productivity was appallingly low and government pay freezes had encouraged phony bonus deals which transferred power from trades union officials to militants on site.

Lomer, a chartered electrical engineer, began his career in the private sector, with the former BTH group and then with consultants Kennedy and Donkin. But in 1950 he was induced to join what was then the British Electricity Authority, to work for "some very strong, competitive, entrepreneurial managers who accepted no nonsense."

He worked in transmission, on all three phases—132 KV, 275 KV and 400 KV—of construction of the national grid. By 1964, when the first parts of the 400 KV grid were commissioned, he was assistant chief project engineer.

By the end of the task in 1970 he was director of construction for the grid, responsible for the highly successful completion of what, in today's money, would be a £3bn project spanning the whole of England and Wales.

He came to the attention of top management when picked to investigate why the project was going "a bit haywire" in the mid-1960s. He said customer closer together, must collaborate as partners.

Delay

The upshot was an inter-company arrangement in which resources were pooled and redistributed in a way beneficial to the project, with the CEGB meeting out-of-pocket expenses. Within a year, productivity had increased by about 75 per cent and the project had begun to meet its targets again, Lomer claims.

Lomer's Law was the outcome of this experience: "If the total requirements for all projects exceeds the total resource, then total chaos applies across all projects." When this occurs, one has two choices only — to increase the resource or to phase back the less urgent projects, until the two are in balance.

In 1972, after 22 years with the grid, the Board picked Lomer to tell them what was wrong with the power station construction programme. He discovered that Lomer's Law applies not only to human and material resources but also to money, when unfinished projects as costly as power stations are tying up huge amounts of the Board's cash. Nowadays, a month's delay will cost the CEGB more than £1m.

But human design resources were the crucial weakness with the nuclear projects in the early 1970s. "It came to me pretty forcibly." The CEGB was trying to build three different prototypes of advanced gas-cooled reactors, at a time when all three designs were still changing fast. There simply were not enough people to keep pace with the programme.

In 1977, Lomer was given the authority to implement the vital lessons he had learned from delays in building the grid in the 1960s and power stations in the early-1970s.

His first challenge was Ince, an oil station which the Board had already threatened would cease construction because it was overspent. Lomer found that serious faults on both sides made Ince a bad one to make a stand on principle. Nevertheless, Ince was finished—without further cash.

He chose Grain to make his big challenge for regaining control of the £3.3bn construction programme. The laggers were leading the demands for ever-higher bonuses.

At Lomer's request the Board sacked the laggers, then announced that if the rest of the unions would not accept CEGB-trained laggers it would stop all further work on the oil-fired station.

This swiftly brought Lomer together with Mr Len Murray at the TUC, in what he calls "tough and at times pretty rough" negotiations.

"Eventually commonsense and logic prevailed." The laggers went back to work and made no further trouble. Two of its five units have been commissioned. Today, Lomer says he would have no hesitation in starting a new station at either Grain or Ince, if the CEGB wanted one.

Only two major projects have been started since Lomer took charge, to give him a chance to implement new design and construction strategies from the outset.

The first, Drax, a 2,000 MW coal station started in 1978, is on schedule. No contractor comes on site until the CEGB has approved its methods of payment and secured guarantees of either double-day or three-shift working.

"I'm very confident that as a result of actions we've taken Drax will be finished to programme and within the original budget."

The other is Heysham B, a new AGR station begun in 1980, using the same strategy as Drax. Again, the project is going well and relations with its prime contractor, the National Nuclear Corporation, are good, Lomer says.

For Heysham B, customer and contractor have agreed to break the project into a number of "packages" of technology. Where the boundaries of these packages — the interfaces — are drawn is crucial in winning fullest commitment from the contractor to finish the job properly.

Lomer firmly believes that for the pressurised water reactor planned for Sizewell B to succeed, it must also be broken into such packages.

As Dennis Lomer sees it, his big problem is that the National Nuclear Corporation, beguiled by political promises, still hankers after "total project management" for Sizewell B. But its resources — especially its financial resources — are totally inadequate for a £1bn-plus project. Only if he succeeds in forging a partnership can he hope for a successful PWR project.

Genentech push to manufacturing

BY RAY SNODDY IN SAN FRANCISCO

MR ROBERT SWANSON, president of Genentech, the pioneering U.S. genetic engineering company has watched as the company's shares have fallen from a high of U.S.$86 back to the original offering price of U.S.$35 in less than two years.

But he grins widely and says "We have seen things getting better and everything is going ahead on schedule. I think a greater realism will be established over the next six months."

The "realism" he believes will come as scientific promise is turned into the first large-scale industrial products to be manufactured by genetic engineering—human insulin and human growth hormone.

Biosynthetic human insulin manufactured by Eli Lilly of the U.S. will probably go on sale in Britain this autumn and human growth hormone is expected to follow in the U.S. sometime next year.

"Something that Genentech has developed will now be available to the public. The more products that come out, the more our credibility will continue to grow," Mr Swanson says.

The 30-year-old co-founder (with Herbert Boyer) of Genentech was speaking at the company's headquarters near the edge of the bay in South San Francisco.

Apart from insulin and growth hormones, Genentech, which now employs 400 people and has a turnover of $21m last year, has produced many types of interferon.

Human clinical trials are under way to test two types on anti-viral and anti-tumour therapys. Foot-and-mouth vaccines and bovine and porcine growth hormones are also being tested. Research is being carried out on a hepatitis vaccine and the company has a relationship with researchers at New York University working on malaria.

Last month Genentech announced that it had signed an agreement with Mitsubishi, the Japanese chemical company, to produce commercially the human blood serum, albumin, produced by genetic engineering. On June 10, Genentech scientists announced they had successfully engineered organisms to produce an enzyme for dissolving blood clots. The enzyme is at present costly and scarce because it has to be extracted from human urine and kidney cells.

As the list of potential products grows, Genentech is moving rapidly to turn itself from an almost-entirely research and development organisation into a fully integrated company.

"We have been moving towards licensing arrangements where partners are either European or Japanese. And where we are keeping marketing rights in the U.S. We have marketing goals. We are not just an R and D company," Mr Swanson said. Gamma interferon and human growth hormones are typical examples.

Robert Swanson says his aim is to have revenues of $1bn within 10 years.

The push towards manufacturing is evident in the plant. Laboratories and departments have been added on to turn the DNA fragments created by the organic chemistry laboratory into industrial products. A manufacturing and bottling unit has just recently come on stream and close to the main building a large new unit which includes large-scale fermentation equipment will be complete by August.

The 72,000 sq ft plant will be enough for everything Genentech plans to produce in the next five to seven years.

In particular, there will be capacity to produce enough human growth hormone to satisfy a world market believed to be worth about US$100m. Cheaper growth hormones—it now costs $30,000 a gramme — would allow it to be used for less-serious growth deficiencies than dwarfism and in encouraging wounds and broken bones to heal.

Genentech chose insulin as its first DNA product to establish the company's credibility and Lilly obtained the world rights to it because of Genentech's short-term need for finance.

World rights are unlikely to be given away again unless major plant investment was involved.

Teleprinter weighs less than 12 lbs

A SMALL, simple low cost teleprinter weighing under 12lb has been introduced by Teleprinter Equipment of Tring, Herts.

Measuring only 14 x 12 x 4½ inches, the machines are available for five or eight level code and can be supplied for send/receive and receive only work.

The ASCII dot matrix printer makes use of plain paper, keeping operating costs down, and the keyboards are easy to use. There are 14 alternative type sizes ranging from five to 20 characters/inch.

Operating speed in print mode is 30 ch/sec and in the graphics mode the machine produces 120 dots/inch horizontally and 60 vertically. A ribbon cartridge is used with a life of 1m characters.

For data communications the units are equipped both with RS232 and 20 mA current loop facilities. More on 044282 4011.

Philips in diamonds

PHILIPS the Dutch electronics group, has moved into what is for it an unusual field by introducing a range of diamond-cutting tools.

Produced by its lighting division in Eindhoven, Netherlands, the new range is intended for turning and cutting non-ferrous metals and materials such as glass fibre, aluminium, silver and copper.

Originally the natural diamond-cutting tools were designed to aid the manufacture of Philips' own products such as video cassette recorders and scanning mirrors for laser systems used for video discs.

Philips sees applications for the cutting tools in the nuclear, space and astronomical industries which call for similarly high-precision tools. The company says that it can make cutting tools to a particular specification if required. More information on 040 7 8497.

هكذا من الأصل

THE ARTS

Leonard Burt

Mike Gwilym and Juliet Stevenson

A Midsummer Night's Dream/Barbican Theatre

B. A. Young

When I say that Ron Daniels's production seems to be done for children, I am not being disparaging. *A Midsummer Night's Dream* is an ideal play for children, and in any case it is almost impossible to spoil it. What I mean is that everything is brought to the surface. There is no question of subtlety anywhere. When the two girls and two boys quarrel in the wood, they shout at one another, pull one another's hair, kick one another.

Theseus and Hippolyta, as has become the fashion, are also Oberon and Titania. Mike Gwilym and Juliet Stevenson do not make much discrimination between their personalities, though Titania is clearly a more affectionate lady than her mortal equivalent. How the most virulent fairy potion could have induced her to love Bottom with his fairy head on, Heaven knows; it is less like an ass than a crocodile.

Puck is black, as he was at the Leeds Playhouse—is this going to be a fashion too? Joseph Marcell speaks the part beautifully, but has a rather earthbound look about him. His fellow-fairies are neither black nor white, but dolls. I know I should say "puppets," but there is little manipulation to be seen, I think because the manipulators are too visible. The dolls would be more effective if their manipulators were dressed in total black, as in the Japanese Bunraku theatre; then we could separate them. As it is, I got the impression of a bunch of extras using their dolls as weapons, and this was a shame, because they are pretty dolls and obviously capable of useful movement.

Quince's hard-handed company, like the Athenian lovers, are solidly extrovert, whether as themselves or as the characters in their play. Geoffrey Hutchings as Bottom didn't seem very much surprised to be loved by Titania, all the same, and he played with the fairies as if they were his own kids. Simon Templeman and Philip Franks might also have been kids as Demetrius and Lysander, though rather older ones; as for Harriet Walter and Jane Carr as Helena and Hermia, they fairly shouted the welkin down once they got started.

Maria Bjornson has designed scenery that depends largely on the use of flats, and this emphasises the toy theatre feeling. There is always a chair or a prop hamper available in the woods, and Oberon watches the disputes from the top of a library-steps that no doubt he has borrowed from Theseus's palace. There is pretty music for wind-instruments by Stephen Oliver.

Laurie Anderson/Adelphi

Antony Thorncroft

Laurie Anderson has come a long way in a short time. New York's most celebrated performance artist first played in London in the autumn on the strength of the surprising commercial success of her record "O Superman." Then, at the Riverside, she seemed like a one-woman circus producing visual and aural tricks in a desultory fashion from an array of instruments which lay scattered around the stage. She was her own producer, star, technician and roadie.

This week she is at the capacious Adelphi, home of hit musicals, with one of the most smoothly organised shows I have ever seen. A major rock band, with a back-up crew of 30 technical experts, could not hope to compete with Laurie Anderson's mixing of sounds and images, her hardware working faultlessly to produce synthesiser or backing rhythm tracks that fall into place with her slow, beautifully modulated voice, while on to the screen flash words and shapes.

Short episode follows short episode. Some are songs and almost conventional; others are pensées, perhaps her development of ideas by Wittgenstein or Burroughs. The audience sits as at church, unsure whether to applaud, and perhaps uncertain whether the whole thing is a triumph of technology over content, or the ultimate in art. At least songs like "Language is a virus from outer space" encourage thought, and when she draws on her New York life certain frissons are started as in lines like "I no longer love the colour of your sweaters."

For almost two uninterrupted hours Ms Anderson, with spikey hair, pale face, Charlie Chaplin suit, holds centre stage, joined occasionally by a lone saxaphone player. Some of it is pretentious, some boring. It is all very élitist. There is a form to the items—they are all extracts from her extensive opus "United States"—but this must be lost on the audience. It makes for an evening that is intriguing rather than exciting, improving rather than enjoyable, different and not quite dull.

Berliner Theatertreffen

Ronald Holloway

The classics dominated this year's Berliner Theatertreffen, the annual showcase of the trendsetters in the current German theatre season. The jury of West German, Austrian, and German Swiss critics settled for Goethe's *Faust* (Klaus Michael Grüber, Freie Volksbühne Berlin) and *Torquato Tasso* (Ernst Wendt, Münchner Kammerspiele), *Lessing's Nathan der Weise* (Nathan the Wise) (Claus Peymann, Schauspielhaus Bochum), Kleist's *Penthesilea* (Hans Neuenfels, Schiller-Theater Berlin), Büchner's *Leonce und Lena* (Jürgen Flimm, Schauspiel Köln), Gorky's *Nachtasyl* (*The Lower Depths*) (Jürgen Gosch, Schauspiel Köln), Chekhov's *Der Kirschgarten* (*The Cherry Orchard*) (Manfred Karge/Matthias Langhoff, Schauspiel Bochum), Marlowe's *Edward II* (David Mouchtar-Samorai, Theater der Stadt Heidelberg), Robert Musil's *Die Schwärmer* (*The Enthusiasts*) (Schlosspark-Theater Berlin), and Beckett's *Mercier und Camier* and *Ohio Impromptu* (Peter Fitz/Otto Sander, Rent-a-Face in collaboration with the Schaubühne am Lehniner Platz Berlin).

This being a *Goethe-Jahr* (the 150th anniversary of his death), *Faust* and *Tasso* impressed like two sturdy bookends: flat text in the style of Readers' Theatre at the Public Library. Grüber's *Faust* at the Freie Volksbühne was a clear throwback to his production of Beckett's *Krapp's Last Tape* (*Das letzte Band*) at the Schauspiel Bremen in 1974; but what a "Goethe's Last Tape" signifies was not at all clear—save that Bernhard Minetti has become the institutionalised greybeard of German theatre. Neuenfels's *Penthesilea* also followed in the wake of a cultural event — last year's Prussian Art Exhibit, with its tribute to poet-dramatist Heinrich von Kleist.

Four plays in a German-language theatre festival from Berlin alone were a bit too much, particularly as Vienna and Zurich and Basel were notably bypassed. Still, Hans Neuenfels deserved his double-honour—he singlehandedly saved the Berlin Intendanz of Boy Gopert during the latter's first season. And the presence of Jürgen Gosch in Cologne bodes well for future West German relations with the distant neighbour to the East—as the programme for *The Lower Depths* notes with a conspicuous asterisk, Gosch was engaged at the Cologne Schauspielhaus *durch Vermittlung der Künstler-Agentur der DDR*. In any case, this is one way to assure that the German Democratic Republic participates as the fourth member of the Germanic-language theatre community.

A festival stuffed with classics—as good as Peymann's *Nathan the Wise* was—tends to be enervating. Where are the modern dramatists? Are the German playwrights sleeping? If the 1982 Berliner Theatertreffen is any indication of the future, the prospects of renewal and challenge are rather dim at present.

13th annual Louis Armstrong concert

The 13th annual Louis Armstrong anniversary concert takes place on Sunday July 4 in the Queen Elizabeth Hall, London, starting at 7.15 pm.

Featured this year will be the Alex Welsh Band Re-union Band which brings together some of the leading musicians of Alex Welsh bands, past and present.

With Welsh on trumpet will be Roy Crimmins and Roy Williams (trombones), Al Gay and Johnny Barnes (saxes and clarinets), Fred Hunt (piano), Jim Douglas (guitar and banjo), Pete Skivington (bass) and Laurie Chescoe and Johnny Richardson (drums).

Tickets are £2.00, £2.50, £3.25p, £3.75p and £4.25p.

Cinema

Nigel Andrews

A fast tribute to Fassbinder

Fassbinder Season	Gate Bloomsbury
The Wild Party (X)	Gate Notting Hill
Georgia's Friends (AA)	Odeon Haymarket
The Chosen (A)	Academy 2
Voice Over	ICA

"Sudden fires soon burn out themselves." Shakespeare did not have in mind R. W. Fassbinder, but he might well have. No film-maker — Orson Welles perhaps excepted—has flamed more suddenly into international celebrity or prompted such anxious wonderings at how long such precocious energy could last.

If Fassbinder's death was a surprise nonetheless — at an unflagging and prolific 36—it was because he evinced none of the artist-in-a-garret's delicacy that is deemed essential for early demise. Usually seen stomping about film festivals or film locations in army boots and battle-dress, or long-life macho leather, he seemed built to last. But even his stamina could not withstand a career of almost demented industry—he regularly uncorked some three feature films a year plus TV dramas and stage plays—and intensive spare-time dabblings in drugs, alcohol and film seminars.

Barbara and David Stone of Cinegate, who deserve to be festooned with laurels for first introducing Fassbinder to Britain, pay tribute from this week with six films from RWF's middle-period prime. *Fear Eats The Soul*, which opened the Gate Notting Hill back in 1974, shares a double-bill this week with *The Bitter Tears of Petra Von Kant*. *Fox and His Friends* and *The Merchant of Four Seasons* occupy week two June 24-30), and *Effi Briest* and *Chinese Roulette* the first week of July.

At first glance Fassbinder's work seems like a charabanc tour of the social and sexual underworld: homosexuality (*Fox*), lesbianism (*Pera Von Kant*), mixed-race-and-mixed-age marriage. (*Fear Eats The Soul*), kinky truth games in vice-ridden *schlossen* (*Chinese Roulette*).

But Fassbinder's bravura honesty as a storyteller —he even had the nerve (and acting talent) to put himself up on screen as the hero of *Fox* — booted out of the reckoning any idea of either seedy opportunism or facile moralising. Stylistically he was a brilliant image-maker: his work followed a Matisse-like progress from rainbow-coloured *naif* to near-abstraction (in his late masterpiece *Lola*), with interludes for barnstorming rococo (in *Lili Marleen*). Thematically, he made us see that every received idea in human society and human behaviour must be questioned rather than taken on trust: from moral taboos to social dictats, from political systems to versions of history.

Raquel Welch and James Coco in The Wild Party

This excellent six-film season pays tribute to a director whose reputation is here to stay.

*

Cinegate, spring cleaning the 1970s for us, have also dusted off James Ivory's 1975 *cause célèbre* homage to Hollywoodiana, *The Wild Party*. Ivory re-treads in fictional form the Fatty Arbuckle story. Amid the vista'd vastness and Hispanio ourlecues of his Beverly Hills mansion, plum and aging silent comic Joly Grimm (James Coco) hosts a scandalous party at which his career is gradually unpicked by a disastrous sneak screening of his new film, by his advances to a young girl (Annette Ferra) and by the *accelerando* drunken jealousy he hurls at his busily flirting mistress (Raquel Welch).

When last *The Wild Party* unspooled before us, it was in a backed-senseless version put forth by the backers American International Pictures and disowned by Ivory. The newly-released authorised version begins v-e-r-y slow-ly—teased out with an arch rhyming-couplets narration by David Dukes as Grimm's poet friend —and suggests at first that maybe AIP weren't wrong to wield the scissors.

But patience pays. The film's rhythmic parabola proves beautifully shaped from morning melancholy and marital peevishness, via the edgy, trundling high spirits with which the party begins, to a gunshot-and-passion climax that carries a full, worked-for thrust of dramatic inevitability. Coco and Welch wield a fine tragicomic range, and Walter Lassally's photography has a shimmery, ornate, mirage fragility that's exactly right. Seven years ago *The Wild Party* seemed like Ivory's worst film. Today it seems like one of his best.

*

Arthur Penn's *Georgia's Friends* is definitely one of this director's worst. Steve Tesich (*of Breaking Away*) penned this promising tale of three gadabout college chums whose hearts belong to Georgia (Jodi Thelen), and Penn leads it into filmic disarray.

Georgia, a kookv nymph born to the hippy 1960s, will-o'-the-wisps through life usually several Isadora Duncan dance-steps ahead of her men. She bears a child from one, then marries another and meanwhile drives to unrequited despair the third (Craig Wasson) whom, we are vouchsafed, she loved all along.

Mr Wasson is the main male and narrative torch-bearer for this dotty marathon of look-back-in-whimsy Americana. 115 minutes long, the film is always several places at once, causing multiple dislocation of the cerebellum. It is also keenly populist. Wasson is a willing warrior for the underprivileged ("My son the Communist" wails his Czech-immigrant father) who nearly marries a rich man's daughter but is saved from a life of luxury when the plutocrat goes bonkers at the wedding-party shooting both his offspring and himself. ("I'm not losing a daughter" he cries, pressing us with the irony prior to pressing the trigger.)

Quite why Mr Wasson doesn't automatically inherit the family millions eludes me. A minor hole in the story-structure. Instead Penn and Tesich endow him with a goatee and ragged clothes and send him back into the plot. Which means to Georgia and her wearing wiles, wherewith the film spins into fey and final-act vacuity.

Give Penn strong cinematic meat and he will tear into it with gripping teeth (*Bonnie and Clyde*, *The Left-Handed Gun*). But anything etiolated, capricious, elliptical—as here—and his artillery of snappy angles, feral cutting and up-and-at-'em acting have all the stylistic aptness of a lion attacking a soufflé.

Rod Steiger, whatever dramatic Dunsinane he lays siege to, is another whose true nature cannot be disguised. In *The Chosen* he conceals himself behind a Birnam Wood of vast and bushy grey whiskers, but those strange glottal vowels and popping pupils give him away.

For which, as it happens, much thanks. As Rabbi Saunders, Steiger lends sorely-needed passion and madness to this long, lenten Jewish morality tale (based on a novel by Chaim Potok), which is as good for you as a plate of prunes. Two Jewish boys befriend each other in 1940s New York. One (Barry Miller) is the son of a Zionist writer (Maximilian Schell) working for the founding of Israel, t'other (Robby Benson) is the scion of Rabbi Steiger, a stern Hassidic teacher vehemently opposed to Ben Gurion and his building plans.

Over the years the boys' friendship is encouraged, then forbidden, finally re-allowed by their paters: and in the end Miller determines to become a Rabbi and Benson has sloughed his Hassidic pigtails and frying-pan hat for the life of a plain-clothes academic.

Watching this story being worked for maudlin moral *sententiae*, about tolerance between creeds and respect for each other's virtues, is like watching a somnolent cow being milked. Director Jeremy Paul Kagan films it all in the fuzzed opalescent colours that are cliché image-coding for the Past; and conflicts are never allowed to crescendo to a point of violence or danger, only to the point where they can gently detonate into a homely little homily about love-across-sectarianism.

All hail, too briefly, to Chris Monger's *Voice Over*. A radio storyteller (Ian McNiece) specialising in mandarin Regency romances is rudely awakened to the 20th Century—by violence and the entry into his life of a catatonic rape victim—whereupon his airtime style fractures into a maniacal modernism. From an *exquise* Jane Austen he becomes a bleakly howling Samuel Beckett, and will the great listening public follow him thither? A fine fierce fable—of how the style is the soul and the century rough-hews the sensibility—well worth finding at the ICA.

Stephen Roberts/Wigmore Hall

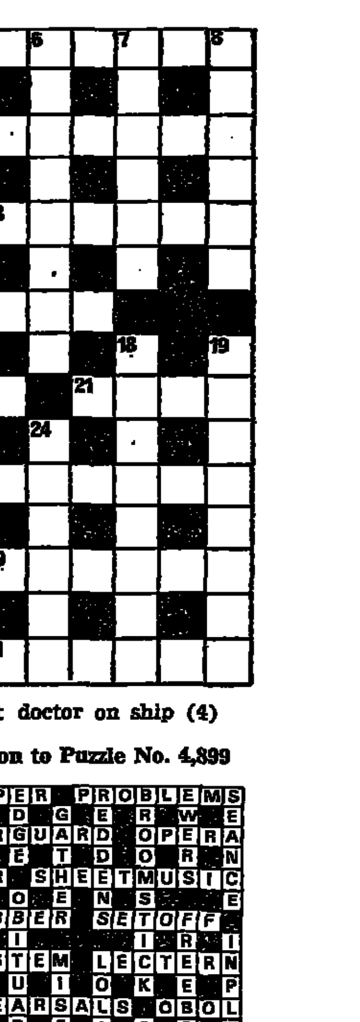
Ronald Crichton

In the few years he has been before the public, the young Welsh baritone Stephen Roberts has made a name for himself at home, abroad, and on record. Though he made his opera début recently in Gluck's *Armide*, his experience has lain mainly in oratoria and concert work. Whether or not his Wigmore Hall recital on Wednesday was his first solo appearance there (the programme did not say), it was remarkably assured. Instead of labouring dutifully through a bunch of *arie antiche*, Mr Roberts warmed up with Purcel, whose quick mood-changes and teasing word-setting do the job in their different way just as well if not better.

It was a mistake not to print the words of the English songs in the hand-out. The familiar Housman poems set by Butterworth may cause little difficulty, but even with good diction many listeners require help with Purcel, while it was rash to let us sink or swim with Emyr Humphrey's words for Alun Hoddinott's *Ancestor Worship*, four new songs receiving their first public performance in London. The cross-fertilsation of words and music that activates good songs is a mysterious process not necessarily instantaneous. I heard every word in the third Hoddinott song and most in the fourth, but an hour or so later all I could remember, unhelpfully, was that the third song had the lighter acompaniment. The extra act of concentration was healthy mental exercise but did not really help the music.

The German part of the programme brought the Four Serious Songs of Brahms and a Strauss group. It was a pleasure to hear the Brahms done by a singer in his prime, able to combine splendid vocal quality with dignity while avoidng the heavy, solemn approach sometimes thought appropriate by older interpreters. The accompaniment of Geoffrey Parsons was magisterial. Mr Roberts did justice to the tremendous phrases of Luther's Biblical German. If one or two key words were insufficiently stressed the fault was not always the singers. Brahm's could be a brutal prosodist. The Butterworth *Shropshire Lad* went very well. Some Grainger on the other hand was dreadfully costive. Happily (and surprisingly) a quicksilver Parry encore blew the memory right away.

F.T. CROSSWORD PUZZLE No. 4,900



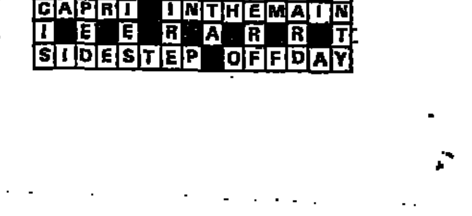
ACROSS

1 Fool entering wager in card game (6)
4 Prison officer in battle uniform (8)
9 Beginner without sin (6)
10 Two fish I caught are savage (8)
12 Home team to dismiss first (8)
13 Involve in a bequest (6)
15 Shrewd copper taking note (4)
16 Contract for the landlord's profit (7)
20 Soldiers perform with Other Ranks to show a source of power (7)
21 Confound thus—and rush (4)
25 Rest the head, prisoner of war, sick inside (6)
26 Safe breaker for a fisher (8)
28 Sailor taking flag forward, and it could add flavour (8)
29 Cooper's product (6)
30 Leacock's trifling compositions were (8)
31 The place for wine vendor we hear (6)

DOWN

1 Good French I confront from mine host (8)
2 Cut it on your head, but it's harshness (8)
3 Overlook an indulgence (6)
5 A mother or an architect (4)
6 Courteous girl making her first appearance before broadcasting (8)
7 A caper organised to keep listeners warm (3-3)
8 Cunning surrounding the French here in the Mediterranean (6)
11 Promote a loan (7)
14 Article about gnome with name added (7)
17 Confer honour upon what painters do (8)
18 Queen Victoria's home-made bonnet and petticoat? (8)
19 Dealer who has to manage without credit (8)
22 Accurate as a billiard-ball must be ? (4-2)
23 A coin struck in Italy and used in the Netherlands (6)
24 Household in which people get older (6)
27 Plant doctor on ship (4)

Solution to Puzzle No. 4,899



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Responding to Mr Brezhnev

PRESIDENT BREZHNEV has scored something of a propaganda coup in pledging that the Soviet Union will not be the first to use nuclear weapons in any war. Superficially it would be attractive for Western leaders to play to the swelling anti-nuclear gallery by responding in kind. But the real nature of the Soviet military threat, and of the West's ability to counter it, means that they cannot and should not, though the Soviet leader's promise may hold lessons for Nato's defence strategy.

Decision

The best riposte to Mr Brezhnev is to stress that Nato has long committed itself to a more basic self-restraint; it re-affirmed at its recent summit that no Nato weapons of any kind would be used except in response to attack. The Soviet Union may deny itself the right to open hostilities with a nuclear assault, but in various military actions to assert its authority within and beyond the borders of the Warsaw pact it has found its conventional forces a perfectly adequate instrument.

There may be more than mere posturing in the Soviet decision. The Kremlin may be genuinely nervous at the intensity of anti-Soviet sentiment in the U.S. and may really have revised its own military strategy. Whatever the motives, the West cannot for the moment renounce the first use of nuclear weapons. For well over a decade Nato has relied upon flexible response — on the possibility of a nuclear answer to a conventional attack — to offset the Warsaw Pact's substantial superiority in numbers of tanks and of troops. Nato has no credible or effective alternative to this posture; it cannot abandon it overnight in a battle of speeches.

Protest

Yet flexible response has new problems, and it is these that the Soviet gesture is designed to exploit. For a long time it remained a largely unnoticed plank in the Nato strategy. Today it is the butt of growing protest in Europe and in the U.S. Moral repugnance at the idea of overtly brandishing the possibility of nuclear retaliation was recently re-inforced by a plea for No First Use from four former members of the Kennedy Robert McNamara, the former administration, including Mr U.S. Defence Secretary. Flexible response may remain militarily cheap, but it is becoming politically expensive.

It is also attracting criticism on practical grounds. There are those who argue that a nuclear response cannot be flexible, that the nuclear punishment cannot be metered out to fit the crime, but will inexorably develop, out of control, into full-scale holocaust. The greater the force of such analyses, the less credible the threat of "flexible response" becomes.

Spending

Such political and military question marks over flexible response suggest that the emphasis of Nato defence spending should shift in favour of conventional weaponry. This would increase the non-nuclear risks which the Warsaw Pact would be facing if it ever felt tempted to invade. The British case for such a shift has, incidentally, been re-inforced by the battle for the Falkland Islands. The Argentine invasion was an unpleasant reminder of the limitations of nuclear might.

Even if nuclear expenditure were done away with altogether there is no chance that the Nato democracies could sustain the scale of conventional defence spending needed to match the Soviet military machine. This is why long drawn out talks in Vienna on Mutual and Balanced Force Reductions are so important and why the West's recent attempt to impart some fresh momentum to them was welcome.

In the meantime President Reagan is right to reply, as he did last night, that "deeds not words" are needed to demonstrate the sincerity of Soviet wishes to reduce the nuclear threat. Binding and verifiable agreements by both sides to cut back on nuclear arsenals, over the entire scale of range and explosive power, would provide more tangible re-assurance than undertakings which might not prove binding in the heat of the moment.

Failure rate in small business

IF VOLUME were the sole criterion for judging the results of the Government's loan guarantee scheme for small businesses which started last year, the Government would have an outstanding success on its hands. Since the scheme's inception loans worth more than £150m have been approved by the Department of Industry and the ceiling, which has been doubled to £300m, will be reached in no time at all.

Amendments

But volume is not everything. And there are signs that the failure rate among businesses participating in the scheme is causing concern in Whitehall and discontent among non-interventionists in the Tory ranks. Mr John MacGregor, the Industry Minister responsible for small firms, is expected to consider amendments to the three-year pilot project in the light of talks with banks and small business organisations.

It will do no harm to cast a sceptical eye over the scheme. The loans, for which the government provides an 80 per cent guarantee, are advanced by the clearing banks, Industrial and Commercial Finance Corporation and a handful of other lending institutions. For them the figures are too small to cause serious pain even if the failure rate is high.

There must also be some doubt whether the loans would not have been made if the project did not exist. If the government is simply underwriting loans that would have been made anyway, the net result is that the taxpayer ends up shouldering 80 per cent of losses that would otherwise have fallen on the banks.

But the scepticism should not be overdone. While the capacity of the small business sector to create jobs can be exaggerated, it remains an important breeding ground for innovation. And enthusiasm for small firms is dangerously inclined to come and go with the Whitehall wind. The small business financing "gap" discovered by the Macmillan committee in the 1930s was found to be as wide as ever by the Bolton committee in the early 1970s. The reports of both were followed first by a rush to back small firms, then by disillusionment when fingers were burned. Small businesses are unquestionably at the rough and tumble end of the capital market.

The latest fashionable wave follows the publication of the Wilson committee's interim report on small firms. In its wake numerous aids and reliefs were dispensed by Mr Harold (now Lord) Lever under Labour, which have now been supplemented by Sir Geoffrey Howe. Financial institutions are once again falling over themselves to back unquoted companies.

Before they and the Government retire hurt it is worth recalling the arguments for government intervention in small business financing. Fifty years ago much start-up and venture capital was provided by rich individuals who were ready to back a hunch. Today rich individuals are thinner on the ground and more worried about preserving capital than increasing it through imaginative risk-taking. The ownership of capital has passed increasingly to big institutions such as insurance companies and pension funds. The institutions are not as risk-averse as they are thought to be; but they are not well equipped to invest small sums in businesses that they cannot monitor cost-effectively.

The result is that too little equity finds its way into the small business sector. And in the absence of an equity cushion, there is much to be said for a guarantee scheme that provides a modest alternative cushion for entrepreneurs who might otherwise be too heavily reliant on loan capital for their own or their bankers' good.

High-risk

Financing start-ups and very small businesses traditionally involves a higher failure rate than in almost any other part of the capital market. If estimates that the failure rate on the loan guarantee scheme is running at something between one in 10 and one in 15 are correct, this looks far from horrific—particularly in the present depressed economic climate.

As well as asking whether the bankers are doing their job properly Mr MacGregor might also consider whether the initial assumptions about failures were not unduly sanguine. This is a high-risk area in which losses are inevitable. It is far too early to write off what seems to be a useful pilot project in small business financing.

EUROPEAN CHEMICAL INDUSTRY

BP and ICI do a swap

By Sue Cameron

THE DEAL announced yesterday between BP Chemicals and Imperial Chemical Industries is a significant move forward in Western Europe's agonisingly slow efforts to rationalise its loss-making petrochemicals and plastics operations. But it is only one small step.

The nub of the BP Chemicals/ICI plan is that both companies will close some of their existing polyethylene and PVC—polyvinyl chloride—plants in the UK and to create slimmer, more efficient businesses. BP will then hand over its PVC interests to ICI and ICI will hand over its UK polyethylene operation to BP. The plan will mean the loss of some 1,800 jobs.

Yesterday both companies were keen to present the deal as an important contribution to sorting out the disaster area that Western Europe's petrochemicals and plastics industry has become.

But chemicals industry executives were still anxiously asking each other whether other major West European groups—who have also been cutting capacity—would follow the BP/ICI example in swapping product portfolios. There are clearly fears that continental producers will merely see the BP/ICI move as a God-given opportunity to increase their plastics exports to Britain.

Yet the entire West European industry is suffering from chronic overcapacity in base chemicals and in the five major plastics materials—PVC, high and low density polyethylene, polystyrene, polypropylene.

ICI insists that nobody is making money out of commodity plastics at present and it reckons the West European industry as a whole is losing around £100m a month. It adds that European plastics producers have probably lost a total of £2bn over the last two years.

ICI's own petrochemicals and plastics business lost £54m last year—an improvement on the

BP's Robert Horton a year to "deliver the goods."

£79m loss of 1980. Yet in terms of turnover, petrochemicals and plastics is the group's biggest operation with sales of £1.7bn in 1981.

Meanwhile, BP Chemicals' losses were £194m last year and in the first three months of this year it lost £46m—£9m more than in the same period of 1981.

The longstanding overcapacity problem faced by the petrochemicals industry as a whole has been enormously heightened by the recession.

When the economic downturn first began to bite more than two years ago, European demand for some of the major plastic materials dropped by over 30 per cent.

Pressure on the industry to rationalise itself will increase—not diminish—over the next few years. Oil and gas rich countries in the Middle East have already started building petrochemical and plastics plants which will use abundant and cheap supplies of indigenous gas as a raw material.

The European industry is well aware of its predicament and a number of companies have taken measures to restructure themselves. But there are still fears that the industry is not moving fast enough — or taking sufficiently drastic action.

One excuse often given by producers is the competition laws which could prevent large-scale carving up of petrochemicals and plastics markets if they were interpreted too rigidly. Some companies, such as the Belgian-based Solvay, are keen to bring in the European Commission to organise restructuring. Others — including ICI — do not want interference from Brussels.

Mr John Harvey-Jones, who took over as chairman of ICI two months ago, is keen to see more "attrition" between the major producers before any moves are made to invite Brussels to take a hand. And it is perhaps significant that Mr Harvey-Jones has been one of the keenest proponents of swap deals—such as that which ICI has just done with BP Chemicals. Mr Harvey-Jones, who masterminded ICI's ruthless but crucial cutbacks in its fibres business, also promised to "hack" at petrochemicals and plastics when he first took over the top job.

At BP too there is a new chairman. At the end of last year Mr Peter Walters became head of the group and he is clearly determined that chemicals should not be a drain on profitability for much longer.

ETHYLENE/COMMODITY PLASTICS EUROPEAN OVERCAPACITY

'000 ton/yr	Ethylene	Low Density Polyethylene	High Density Polyethylene	Polypropylene	Polystyrene	PVC
Theoretical capacity*	18,250	6,650	2,700	2,350	3,250	6,000
Present potential capacity†	15,500	5,500	2,250	1,850	2,650	5,000
Consumption 1980	11,000	3,800	1,350	1,300	1,500	3,700
Capacity Utilisation %						
—Theoretical	60	57	50	55	46	62
—Present potential	71	69	60	70	57	74
Forecast market growth % p.a. 1980-1990	2.5	3.0	3.5	7.5	2.0	2.5
Consumption 1990	14,000	5,300	2,000	2,550	1,900	4,750

Source: W. Greenwell

* Theoretical, or nameplate, capacity is the stated capacity of plant when new. † Present potential capacity is plant's current capacity.

ICI has long been signalling that it has no intention of abandoning its PVC business because it believes it will be able to survive—and eventually thrive—in the sector. It has its own salt—in Cheshire—for making chlorine, one of the raw materials for PVC production, and its chlorine technology is excellent. It also has 115,000 tonnes of brand new PVC production capacity at Wilhelmshaven in West Germany.

As part of the deal with BP, ICI is to take a further 30 per cent share in Olefins 6, the huge, and again, modern, ethylene plant on Teesside that it has hitherto owned 50:50 with BP Chemicals. This will enable ICI to close down—permanently—another older, less efficient 450,000 tonnes a year ethylene plant on Teesside.

ICI, which acquired the PVC business of the Swiss-based Lonza earlier this year, will take over BP Chemicals' most modern PVC plant at Barry and will then have a total UK PVC capacity of 375,000 tonnes a year. When its European production capacity is added in, the group will be the second biggest PVC manufacturer in Western Europe.

As a result of yesterday's package it will have one less competitor in the PVC field, but this still leaves it with no fewer than 25 West European rivals. The biggest producers include Solvay, Ako, Chloe, Montedison, Enoxy, Shell ...

Yet industry experts believe ICI will ultimately prove to have done well out of the deal with BP—particularly as it has managed to rid itself of its UK polyethylene operations which have been a running sore on its petrochemicals and plastics performance. It is significant, however, that ICI is not pulling out of polyethylene production on the continent.

BP Chemicals, therefore, which is taking over ICI's low density polyethylene plant at Teesside, cannot congratulate itself on having reduced the number of West Europe's polyethylene producers from 22 to 21.

The advantages of the deal to BP Chemicals are far less obvious.

BP Chemicals made massive petrochemicals and plastic purchases from the U.S.-based Union Carbide and from Monsanto in the heady days of the late 1970s when the whole sector appeared much more promising. What is more, it has had its crude oil parent to lean on when necessary.

But BP, whose crude sales business has declined substantially over the last few years, is not going to be prepared to fund its loss-making subsidiary for much longer. Yesterday Mr Robert Horton, managing director of BP Chemicals, admitted as much. He said the main BP Board would expect his company "to deliver the goods" within 12 months. He went on to express confidence that by the second half of next year, BP Chemicals would be back in the black.

Mr Horton insisted that the balance of advantage between BP and ICI was "very finely drawn" and he stressed that BP would be able to keep its plants running at full loads as well as cutting overheads.

But last night industry experts were pessimistic about BP Chemicals' chances of surviving. Up to now the company has been making all five of the major plastics and its has been losing money proportionately. BP is considering spending £30m to make its ethylene plant at Grangemouth in Scotland more efficient. But this is still unlikely to be able to compete against a new £500m theyelene plant being built by Shell and Esso at Mossmorran in Fife, which will run entirely on North Sea gas and which is expected to come on stream in 1986.

ITALY

THE PROCESS of restructuring the heavily loss-making Italian chemical industry has been going on for nearly two years now, but the end is still not in sight.

The aim of the restructuring is simple. Montedison, denationalised last year, is to be the private sector "pole" of the industry and concentrate on more lucrative secondary chemicals (which currently only make up 20 per cent of its output). ENI, the state energy concern, will control the State-owned primary chemical sector.

Primary products include petrochemicals and plastics; secondary chemicals are more refined and have a higher added value.

ENI's task was complicated by having to take over the plants of two defunct private sector concerns, SIR and Liquichimica. Part of this burden was lightened by the decision of Occidental, the U.S. oil company, to set up a joint venture with ENI called Enoxy to run and develop some of the more promising parts of SIR and of ENI's own subsidiary

That leaves ENI to make the best of what remains, with the intention of disposing of up to 8,000 workers in the process. Negotiations are still going on with Montedison for the transfer to ENI of some of its base chemical plants, which would be run by Anic and Enoxy. Montedison laid off about 8,000 workers last year and a further 2,000 this year. But both Montedison and other European chemical producers fear that the state sector will not be able to nerve itself to make large scale closures

James Buxton

W. GERMANY

WEST GERMAN chemicals groups, which in the shape of Hoechst, BASF and Bayer, account for three of the world's four largest chemicals concerns, have been unable to escape fully the impact of the prolonged domestic recession. But the wide international spread of their activities has helped to shield them from the worst of the world chemical industry's structural and trading problems.

Fundamental to the industry's fortunes has been the concentration on research and development spending in areas of speciality chemicals, particularly pharmaceuticals and agricultural chemicals.

For example, the share of pharmaceuticals and pesticides in Bayer's total group turnover has jumped to more than 33 per cent from around 20 per cent only ten years age, while the company has greatly reduced its interests in some of the chemical industry's crisis areas, such as man-made fibres and commodity plastics.

The West German industry has still suffered from the drastic over-capacity in the West European synthetic fibres commodity plastics and basic petrochemicals sectors.

BASF, which made losses of around DM 190m (£48m) on its commodity plastics operations last year, has cut its low density polyethylene capacity by 200,000 tonnes to 670,000 tonnes and further cuts are planned. Hoechst too, with losses last year of DM 220m in commodity plastics, has shut 80,000 tonnes capacity of high density polyethylene and 30,000 tonnes capacity of polystyrene in recent months

Kevin Done

FRANCE

AFTER A long run of very red bottom line figures, France's chemicals industry selected itself as a suitable case for early treatment in the Government's plans for the nationalised sector.

The scheme that emerged from the Industry Ministry last month is a strategy rather than a finely detailed project: it is based on regrouping the industry around three main "poles," all of them under state control.

The first of these is Elf-Aquitaine, the big oil company, Elf's enormous cash-flow made it the obvious partner for PCUK, the biggest cripple in the industry. PCUK, a subsidiary of the Pechiney Ugine Kuhlmann metals group, will be added to Elf's heavy chemicals interests in Ato-Chimie and Chloe-Chimie, where its patrnership with the Total oil group is being unwound.

The second "pole" will be Rhone Poulenc, France's largest chemicals company with a turnover of FFr 36bn ($5.4bn). Following its massive reorganisation over the last few years, with the sale of Chloe to Elf and savage cuts in its artificial textile business, Rhone is being left largely as it is.

The third group will be CdF Chimie, the chemicals subsidiary of Charbonnages de France, the nationalised coal company. Also a chronic loss maker (FFr 1.2bn last year), which in 1974 was forced by the Government to build an expensive and loss-making ethylene cracker, CdF is asking for substantial funds to rationalise its plastics and fertiliser activities.

Terry Dodsworth

Men & Matters

Pillar of state

Robert Hormats, the only man, apart from Helmut Schmidt, to have been intimately involved in all eight economic summits, will shortly resign from his present position as U.S. Assistant Secretary of State for Economic and Business Affairs.

The quintessential Washington survivor, Hormats has served the last four Presidents variously in the National Security Council, the State Department and as deputy special trade representative. According to his friends he has found life under President Reagan increasingly frustrating.

Part of the problem is that he is probably a closet Democrat. More pertinently, as an internationalist, he is inherently suspect to the influential right wing of the Republican party which wants a more muscular American role in the world. The columnist William Safire, sometimes a polemicist for this viewpoint, once acidly commented that the problem with Hormats was that his name rhymed with doormats, which, of course, are always being trodden on.

Last year, his original nomination to the State Department was held up for weeks by Senator Jesse Helms, the arch conservative from North Carolina and this year has proved worse. Six months ago, Hormats's immediate superior, Myer Rashish, resigned as under secretary for economic affairs (because of problems with Alexander Haig) and Haig actively sought Hormats' elevation. But the White House, sensitive to the Helms wing of the party, has blocked his promotion.

Europeans, in particular, will miss Hormats. Conspicuously non-ideological, he could at the very least be counted on to offer a sympathetic and knowledgeable ear to foreign complaints about the twists and turns of American economic policy. On occasion, he proved able to blunt some of the rougher edges of American intent (over the Polish debt and general relations with the developing world.

In fact, the Reagan administration has been so dilatory in filling key vacancies in the international field that foreigners are finding it ever harder to know whom to talk to in Washington. It took a year for the administration to name a new U.S. executive director to the World Bank after its first appointee was killed in an accident; the National Security Council seems to have lost weight; the Treasury is only belatedly asserting itself in international economic policy; and now the State Department is void at the top.

Hormats, however, will undoubtedly return. He will clearly have no difficulty in landing a lucrative interim consultancy job ("He's a six figure guy" observed one acquaintance). His political connections with the centre, and especially with former Vice-President Walter Mondale, remain impeccable; and he still has not turned 40.

Chinese puzzle

Are the Chinese obscurely signalling a tougher line on Hong Kong? A local paper in a remote province has swung into action against the 1842 Treaty of Nanking, which, when it ended the Opium Wars, "set an abominable precedent for foreign aggressors to occupy China's territory by means of war."

The foreign aggressors in this case were the British, who, under the treaty, grabbed Hong Kong and later extended their possessions by taking a lease on the New Territories. With this lease now due to run out in 15 years' time, the question of Hong Kong's future is causing much cogitation.

The Chinese love to conduct politics through historical analogy — the devastating cultural revolution was signalled by an attack on a play about a Ming dynasty official. There is nothing odd about the subject matter of the article, which is only a summary of the standard Chinese view of 19th Century history. But the timing and the ferocious language are eye-catching at a moment when in the Argentine view (which China supports) Britain has just fought a colonial war and Mrs Thatcher is due to go to China in September for talks on Hong Kong's future.

Earbashing

An irksome part of the job for British businessmen visiting Iran these days is having to listen to a 10-minute speech from any official they might meet about the dastardly deeds of Western imperialism.

One group of businessmen, sheepishly listening to this tirade, were amazed when the official speaking to them included a personal attack on Margaret Thatcher, although the Prime Minister was in opposition at the time of the 1979 revolution.

A brave member of the delegation felt impelled to ask how Mrs Thatcher was involved. The young official, his beard and open neck shirt advertising his revolutionary credentials, explained that he had met Mrs Thatcher while a student in London. He was living in the Prime Minister's Finchley constituency and had gone to see her to protest about the victimisation of Iranian students in England by the Shah's secret police. Mrs Thatcher, it seems, showed a notably unsympathetic toughness in her reply.

"Ah," responded a quick witted member of the group, "There are many people in Britain who would have welcomed such a warning of what was in store for them."

The Iranian official burst into laughter and a valuable discussion on trading possibilities ensued.

Howe's that

The all-party committee of MPs which wants to break open the hallowed secrecy surrounding British budgets quotes the following trenchant comment in support: "The Budget is shrouded in secrecy until the Chancellor unveils his master-plan. He presents it as a fiscal "fait accompli" receptive to neither the benefit nor the opportunity of prior examination or constructive comment."

The author? None other than Sir Geoffrey Howe. He made the comment in 1977, only four years before he sprung his 1981 Budget on an astonished Cabinet which had little idea that he was planning a substantial tax increase in the depths of the recession.

Yo-yo ho

With accounts ranging from Access to Zanussi, turnover up to £53m and profits only marginally lower at £1.02m, shareholders in advertising group Geers Gross would appear to have no real cause to feel depressed.

But chairman Charles Hoare and chief executive Robert Gross intend to send them away from the annual meeting in London today with a 2p final dividend and a smile on their faces.

The 100 or so shareholders expected at the meeting will be treated to a sort of cabaret act by comedian Tommy Cooper who features in the agency's TV commercials for Sodastream.

The two 40-second ads will be shown—plus another five minutes of tomfoolery during Cooper's rehearsals for them. "Did you," asks Tommy, "hear about the Irish ship with a cargo of yo-yos?—It hit a rock and sank 44 times."

Observer

TRADING WITH NIGERIA

The case of the missing M form

By Michael Holman in Lagos

WE TRAVELLED in mini-procession down noisy, bustling Broad Street in the heart of Lagos, side-stepping huge puddles left behind after torrential rain, in pursuit of a missing M form.

This is the story of a search for that vital piece of paper—and five copies—which any businessman in Nigeria wishing to make a foreign exchange application must complete and submit to the country's Central Bank. It is the key document which amounts both to permission to import a particular item, and permission to pay for it in foreign exchange.

The story begins on March 23 when the Central Bank suspended the opening of letters of credit and processing of M forms as the first step towards assessing—and reducing—the country's level of imports, which were far outstripping earnings from oil exports. This was followed on April 20 by the announcement of wide-ranging austerity measures, including import curbs, hefty import deposits, and the need to revalidate all old M forms.

The full effect of those measures has yet to become clear: the past two months have been a grace period in which exporters to Nigeria have scrambled to beat the deadline for old orders to be delivered. But the Nigerian intention is to cut its import bill by one third—from N1.2bn (£1bn) to N800m (£660m) a month. For a major exporter like Britain, that would mean a cut in its annual export trade of £500m from last year's £1.5bn of goods sold to Nigeria.

For Alhaji Mahmud Umoru, Chairman of Ceramic Manufacturers (Nigeria) Ltd, the M form change was critical. His N17m plant, in which Jouffrieau International of France holds 8 per cent of equity and Netzsch Freres of West Germany 12 per cent, is due to be commissioned in September.

The plant, which will employ 1,750 people and produce 5,250 tons of sanitary wares a year, is in the process of installing equipment worth FFr 30m (£3m), imported of course under an M form.

Also required are the raw materials for the plant—including chemicals, acrylic bath tubes, taps, cisterns and siphons. All these have been ordered from British companies, are worth just over £1m and require separate M forms. Without the rest of the equipment and the raw materials, the plant will not open as scheduled in September.

So Alhaji Umoro, an accountant and banker who took a marketing diploma at Harvard, arranged through the Kano Branch of the Société Générale bank (SGB) to resubmit his forms, in compliance with the new regulations. This was in late April. By the beginning of June Alhaji Umoro was getting worried. He had heard nothing further. Time was running out. So on June 8 he flew the 750 miles from Kano, in the north of Nigeria to Lagos to investigate the matter personally.

His first stop was the Broad Street branch of SGB. Yes, he was told, the forms had indeed been sent on to the Central Bank but nothing further had been heard.

From SGB Alhaji Umoro dropped in on the offices of the Manufacturers Association of Nigeria, on whose board he sits. Its director, Dr Eleazu, gave an account of the difficulties many manufacturers were facing.

"The measures were well-intentioned," he said, "but there have been difficulties in implementing them." The Central Bank, he went on, was seriously short of skilled staff and had had difficulty coping with the old system. "Yet the new one is even more complex."

Delays in M form processing are forcing some firms either to close for lack of raw materials or to go on to short-time working. Dunlop Nigeria, for example, is critically short of carbon black, an essential import for its tyre plant.

"The bank," said Dr Eleazu, "is inundated by Form M applications and it seems that anything for over N500,000 is shelved." Further, the new import duties announced in the austerity package had some serious anomalies. Raleigh Industries, which manufactures bicycles requiring some imported components, but with a 65 pe rcent local value added, was harder hit than firms which assembled CKD bicycle kits.

It should be said, however, that some observers believe the bank is making considerable efforts. "Obviously there are going to be teething problems," said one experienced businessman, "but from the Governor downwards the bank is trying to put its house in order."

Meanwhile, Dr Eleazu did his best for Alhaji Umoru. He rang Mr Nwarache, director of exchange control at the Central Bank, and made an appointment. So Alhaji Umoru and I set off from the Unity House offices of the manufacturers' association into the cacophony of steamy Lagos, dodging the yellow taxis and threading our way between the street vendors.

The first stop was the main Central Bank building in Saka Tinubu Square. Wrong place, it transpired. Onwards. A bank messenger was delegated to escort us, for Alhaji Umoru, who seemed to know every other person in the street, is what one would call here "a big oga"—i.e. a man of influence and substance.

We made our way along Broad Street: first the messenger, then the oga, elegant Northern robes flowing, followed by your correspondent, equipped with a green and white umbrella carrying a picture of the national football team, the Green Eagles, and a notebook.

On the eighth floor of Mandilas House we were ushered into the office not of Mr Nwarache, but a senior manager in the "comprehensive import supervision scheme, exchange control department."

He listened patiently as Alhaji Umoru explained his predicament. He had some comfort to offer. The M form covering the import of plant and equipment remained valid—as the new regulations he read out made clear—for it involved a project already under way.

As for the M forms applying for foreign exchange for raw materials: when was it sent to the bank? Late April, was the reply—perhaps, Alhaji Umoru said hopefully, it lay in the very pile on the desk in front of him.

The official, a model of patience whose phone rang constantly with callers asking about M forms, made two observations.

If it had been submitted in late April it would not be in the pile—those forms were dated May. "But we sometimes find that banks tell their customers that they sent the form off weeks ago, but in fact they have only just got round to it—and we are blamed for the delay." He smiled sadly.

No doubt, said the official, SGB had acted promptly in this case. But if Alhaji could return to his bank and get the date of submission, it would be easier to trace the form M at the Central Bank.

And so Alhaji Umoru and I set off for SGB. The appropriate staff member, alas, was "not on seat"—he was at lunch. But we were directed to the man who safeguarded the ledger in which all M form transactions were recorded.

A lengthy search ensued. No record of the M form. "There was great confusion in April," said an embarrassed official by way of explanation. And while the search continued he told us that the Central Bank appeared to be giving priority to applications for raw materials. "We have N100m outstanding in other categories, and we're only a small bank."

The forms submitted by Ceramic Manufacturers could not be found. We had reached the end ofthe road. "In future," suggested the official, "we think you should arrange for form M to be delivered directly to us, and not through our branch."

This is easier said than done. Communications between Lagos and Kano are poor. Telex and phone links usually do not work, and mail can take weeks. So if Alhaji Umoru has essential business in Lagos he has to make the journey himself — costing N155 for the return ticket, N208 a day for hotel, meals and car hire.

Alhaji Umoru, who in the course of the day has never raised his voice in anger or frustration, makes one observation: "The delay costs us money. To recover this we have to charge higher prices for our products — and this is one of the reasons locally made goods can be more expensive than their imported or smuggled counterparts."

It also means that Alhaji Umoru has to start all over again. He has no alternative but to submit fresh M forms—which will, if he is fortunate, take some six weeks before they re-emerge from the Central Bank. The raw materials for his plant will almost certainly not arrive in time and its opening will be delayed.

Social affairs

Not quite a wired society

By Ian Hargreaves

UNLESS you live in a hole in the ground, it can hardly have escaped notice that Britain is about to become part of the "wired society." It is a question of when rather than if.

According to Mrs Thatcher's Information Technology Advisory Panel, a decision is needed by Christmas to liberalise broadcasting policy so that cable can be in business by 1986. Lord Hunt's committee, meanwhile, is tying up the loose ends of social concern and listening to the squabbles between the public and private sectors over who should share the spoils.

Forgotten in the debate so far is the unfinished business of the first wiring of Britain—the installation of a national telephone network.

It is hardly surprising that the 5m British households still without a telephone belong almost entirely to socio-economic groups D and E and tend to be concentrated outside the south-east.

For anyone rusty on the official demarcation lines of Britain's class system, D means working class people with semi-skilled or unskilled jobs and E refers to pensioners and "other low grade" manual workers on "the lowest levels of subsistence." The 1m plus households of the unemployed are also in E.

The disadvantages of phonelessness are obvious, especially for the old and alone. Telephones also save fuel eliminating journeys and, who knows, if they were more widespread Britain's labour force might be less geographically immobile?

Of course, it will be objected, the telecommunications network is there as a common resource for anyone who wants to hook up. The problem is cost: £96 for installation and first quarter rental before a call is made or close to twice the weekly take-home pay of many Es and Ds. This in spite of the fact that installation charges have been held back and would be 30 per cent higher had they kept pace with inflation since 1971.

Now, because British Telecom is under Government mandate to take up its bed and walk amidst private sector competition—a good thing in terms of industrial competitiveness—the corporation is also being forced to "re-balance" its tariffs.

What this means is an end to cross-subsidisation; the problem being that for a long time just about everything British Telecom has done has been subsidised by long-distance and international call charges. Not the most cost-effective business in the world, BT got £159.9m of its £180.7m profits last year just from international.

Businessmen and the rest of us in A and B are enjoying the cheaper rates to New York and for some other trunk charges which "re-balancing" has brought. But the trade-off, yet to come, will be sharply higher local call charges and more rapid increases in rental and installation fees.

As for Britain's network of 77,000 phone booths, the fragile lifeline of the phoneless, they lost £68.2m last year on turnover of £85m. Small wonder that Britain's formidable women's institutes, among others, are wailing about the threat to the kiosk, especially the one third in rural areas which BT says serve only 1.64 per cent of the population.

> A danger that Britain is heading in telephones for another case of "two nations."

Is there not a danger that Britain is heading in telephones for another case of "two nations" or even, eventually, to a kind of *Beeching process*, where those with minimal service will have none, if not by outright excision then by the price mechanism?

It must come as some relief to those few of us condemned to lie awake at night worrying about the phoneless millions that BT does not share these anxieties. Mr Frank Lawson, who is responsible for marketing the telephone service, agrees that re-balancing will make his job harder, but he expects soon to return to the 3 per cent per year rate of penetration of the market achieved in the 1970s before the slump. By 1992, he forecasts that 93 per cent of homes will have phones, taking Britain within reach of the saturation levels already achieved in North America and Sweden.

His confidence rests upon the resilience of growth in the 1970s, when penetration in D/E rose to [illegible] per cent and BT finally broke through the remnants of cultural resistance to the telephone on Britain's working class estates.

As for phone boxes, he points out that the new financial broom has swept away [illegible] 121 kiosks, with another 17 surviving under the wing of local authority subsidy.

Mr Lawson believes that by 1987 when all those terrible, grey electro-mechanical coin chewers are replaced by whispering blue digital electronic pay phones and a few card phones, kiosks will be so attractive that they will eventually cover their costs.

The reason, by the way, that you can never find a phone box in London is nothing to do with under-provision, but that the police insist they be kept from sight on main roads to deter motorists from stopping.

With attitudes like these around, we are still quite obviously a generation or two away from the telephone culture which makes life so much easier in the U.S., but in the interests of quickening the march towards that goal, here are a couple of contingency suggestions, just in case Mr Lawson finds a spot of inelasticity down there in D and E, or discovers that some of his recent growth was mainly a result of clearing a waiting list which topped 250,000 in 1980.

One possibility would be to build into BT's affairs a "*social cost*" element to cover, along with things like the 999 services, the cost of getting more phones into homes at cut price rates.

Even better, although its effectiveness cannot be proved in advance, would be simply to cut or even eliminate installation charges (as they did in the early days of the telephone) on the theory that call charges will then, eventually, pay for the system.

Of one thing, however, we can be sure. Until the first wiring of Britain is complete, all those breathless technocrats busily expounding the potential for banking by cable and TV shopping should not be surprised to find a large chunk of the population stifling a yawn.

Letters to the Editor

The Falklands: looking forward to establishing a secure peace

From Mr M. Mitchell

Sir,—During the course of the conflict with Argentina several points which are likely to carry more weight in the long term than the claim and counter-claim to possession of the Falkland Islands received scant attention.

The Argentine claim is not confined solely to the Falklands but encompasses the entire area commanding the only sea link between the Atlantic and Pacific Oceans—as witness the seizure of South Georgia. It would be highly undesirable for those islands to fall into the hands of a country subject to bouts of dictatorship. Conversely it is strongly in the interests of the democracies, and particularly the industrialised states, that such a state of affairs should be prevented. Accordingly there is a powerful case for the United Nations to guarantee the freedom of the islands, which can only be made effective by providing the necessary financial and military resources. The usefulness of a UN "peace-keeping" force as such has just been demonstrated in the Lebanon.

In this matter the interests of the U.S. are involved in a manner which should preclude the shyness exhibited by adopting an "even-handed" stance. Japan, with its largest emigrant population in Brazil, might also be expected to share the burden.

For what purpose does a nation in such dire economic difficulties as Argentina require such a large and expensive "defence" outlay? Why should she need six new submarines? Armaments on this scale are not suggestive of a merely defensive posture, particularly for a nation which lacks aggressive neighbours, and is threatened by no one.

Should not the British Government therefore address itself to these points with the same admirable resolution as has been shown in recent weeks, to establish the basis for a multinational force to underwrite the peace? Other nations have strong interests in the matter. Great Britain has given its blood and its leadership but there is every reason why the burden henceforward should be shared. If the UN is unable to do other than represent the Tower of Babel, and the U.S. cannot resolve its own dilemmas, then let the EEC be stimulated to show whether it is indeed a genuine alliance of interests.

M. R. S. Mitchell,
The Old House,
Aldham,
Nr Colchester, Essex.

From Mr D. Russell.

Sir,—With reference to your leading article (June 16) regarding the Falkland Islands, your last paragraph leads me to suggest the following solution.

Sovereignty should be invested in the Falkland islanders who will govern themselves. An international authority consisting of the U.S., UK and Argentina will be responsible for the defence of the islands and the allocation of licences for developments in the waters surrounding the islands, i.e. exploration for oil, fishing rights, etc. A proportion of any profits from these should be paid to the Falkland Island Government.

These arrangements would have the advantage of rendering it impossible and indeed undesirable for Argentina to attack the islands again; give both Britain and Argentina commercial opportunities where they exist as well as any other country with genuine beneficial intentions; by including the U.S. it would ensure that no other powers would be able to use the island for undesirable military purposes in the future; and mending fences between the U.S., UK and Argentina and indeed the whole of Latin America.

David Russell.
88, Cambridge Street, SW1

From Mr J. Fontannaz

Sir,—I really must protest at the pathetic article (June 16) written by Malcolm Rutherford. He totally misreads what Margaret Thatcher has achieved and is endeavouring to achieve in this country.

We are, thank God, coming back to a situation of self-reliance, she is putting back the Great in Great Britain.

The experience of the last thirty years of politics in Britain has proved that we can rely on none of our so-called allies who have in the past done nothing but use our country as a convenience.

We have all the resources necessary to sustain an independent line of politics and thank goodness we have a Government that is pursuing these aims.

John V. Fontannaz.
Thamesfield, Mill Road,
Marlow, Buckinghamshire

From Mr L. Atkinson,

Sir,—Your newspaper has disapproved of the Government's policy on the Falklands. That is one thing. But does a paper of your quality have to express its disapproval in sneers? Take Mr Rutherford's article of June 16.

He writes: "What will be the effect of this extraordinary expedition on British politics? Why "extraordinary?" The word suggests, and is meant to suggest, "thoughtless," "impulsive," even "bone-headed."

He says "the idea of going into a general election on a slogan of 'we regained the Falklands' when there are 3m unemployed at home seems slightly threadbare." The suggestion is that this is an idea already put forward by the Government. Mr Rutherford imputes it to them so that he can, with a sneer, dismiss it.

But the worst is his saying: "there is a kind of latent British nationalism which Mrs Thatcher plays to and fosters." Why the tendentious word "nationalism?" Why "plays to?" Why "fosters?" The whole sentence is offensive. A man, commenting without malice, might for example have written "this is British patriotism which Mrs Thatcher acknowledges and honours."

You do yourself harm by this kind of article.

L. R. Atkinson.
Flat 3,
9 Heathview Gardens,
Putney Heath, SW15.

From Mr M. Slavin

Sir,—The Falklands conflict is now over, and there are a number of things to be proud of: the Government's decisiveness, the armed forces professionalism, and especially the supreme sacrifice some soldiers made. It was for a great cause, and it was brilliantly executed.

We went in defence of liberty, to defend the freedom of the islanders. We went to show that aggression doesn't pay, to show the UN what it should be able to do in maintaining international law and order. We went to deny a jingoistic success to a cornered military dictatorship. I was proud to think of myself, being British, as a part of this. Win or lose didn't really matter — what we were doing was right

Why then is the Prime Minister trying to demean these achievements (including her own part in them)? She appears to want them remembered as being about the right to fly the Union Jack, as opposed to some other flag, on a piece of rock in the South Atlantic. How tawdry! Surely we send men to their deaths for something greater than that?

If Argentina had had a decent democratic government, which protected the rights of cultural minorities, it would have posed no threat to the freedom of the islanders. If it was to develop such a government in the future, it could have its Malvinas — we certainly don't want them.

Michael V. Slavin.
30, Greenholm Road, SE9.

From the Senior Bursar,
Trinity College, Cambridge.

Sir,—For 30 years I have admired and trusted the Financial Times. That admiration and trust has been shattered by your constant carping criticism of Mrs Thatcher's superb handling of the Falkland crisis.

You totally fail to give adequate recognition and support to the great justice and sincerity of her cause. You totally fail to condemn adequately and frequently the completely unjustified Argentine aggression. Constant condemnation of this kind from respected sources like the Financial Times is essential to reduce the danger of new aggression by Argentina and others; and to provide balance when you comment on the obvious problems for the future.

Instead you constantly advocate fundamental compromise. Thereby you imply at least partial reward for aggression; and you seriously sabotage the immensely praiseworthy efforts of Mrs Thatcher and our forces to convince the world that aggression must not be allowed to pay, either in the short run or in the long run. Finally—as if that were not enough—for every silver lining you find a dozen clouds.

I reject and deplore your approach—the more sadly because of my respect for you hitherto.

(Dr) John Bradfield.
Trinity College, Cambridge.

The rains on the grains

—From Mr N. Kew

Sir,—John Cherrington's need (June 11) for rain on his grain and his fervent hope of a gentle inch every weekend for the next four weeks to avoid paying overtime at weekends, reminds me of an old farmer I knew some time ago who used to say that it was "heavenly rain that came nights and Sundays." No doubt this was for financial considerations also!

Norman Kew,
'Black Nest', Mattingley,
Basingstoke, Hants.

هكذا من الأصل

UK COMPANY NEWS

Pauls and Whites over £10m

AS PREDICTED, full year profits of Pauls and Whites emerged well ahead, the pre-tax figure rising by £2.15m to £10.76m — mid-year profits were £4.63m. A final dividend of 5.25p (5.5p) lifts the net total to 7.5p per 25p share.

Turnover, covering the 12 months to March 31, 1982, moved up from £271.01m, and at the trading level profits amounted to £12.79m (£10.62m). The group is a maltster, manufacturer of animal feedstuffs and flour miller.

Pre-tax profits were struck after interest charges of £3.06m (£2.62m) and included a £1.03m (£911,000) profit contribution from associates. Tax took £2.27m (£3.81m credit) but there were extraordinary credits of £175,000 (£165,000) and debenture redemption of £40,000 (nil).

Stated earnings per share are 30.69p (27.15p), excluding extraordinary items and a tax provision no longer required last time of £4.97m.

● **comment**

The flavours division, hit by the costs of a factory move and flat demand, produced the only disappointment in an otherwise very strong performance by Pauls and Whites. The animal feeds division benefited from the on-going mill modernisation programme and cuts in handling costs, together with a long period of firm pig prices—the group is the country's largest pig producer. For malt the weak brewing market at home was offset by good export sales. Overall current trading is at a reasonable level but there is no sign of a pick up in demand from breweries, distilling is likely to remain depressed for the rest of the year and there are worries about the company's involvement in Nigeria. However, while it is too early to assess the seasonal factors the current outlook for the group is for further growth but not up to the 25 per cent pre-tax advance just reported. Yesterday the shares eased 1p to 213p to yield 5.2 per cent.

Inchcape profits at £65.7m for nine months

FOR the nine months ended December 31 1981 taxable profits of Inchcape, the general merchanting, motor vehicle, insurance group, amounted to £65.69m and is compared with £71.07m for the previous year. Turnover went ahead from £1.53bn to £1.65bn.

The dividend is maintained at 18.15p net per £1 share for the period, with a same-again final payment of 11p, although earnings per share are down slightly at 29.1p (30.6p).

The directors say that almost without exception during 1981 all areas of the group suffered from weakening markets which, coupled with high levels of inflation and high rates of interest, resulted in lower group profits.

The wide spread of geographical investment and activity cannot provide total protection to the group's profits, in such circumstances, they state, but "underlying strength arising from such diversification remains."

Profits are some £10m better than they would have been if translated into sterling at rates of exchange ruling at March 31 1981, directors point out.

Profits from newly acquired companies in South America, which are included for the first time, are encouraging, the directors say.

The underlying business of the group remains firmly based but, with the recession showing little sign of lifting and increasing competition in world markets, they feel that the current year is proving to be more difficult than 1981.

The directors hope, nevertheless, that indications of reducing inflation will result in an improvement in trading conditions in 1983.

A divisional analysis of pre-tax profits shows: general merchants, agents and related activities £36.63m (£25.48m); motor vehicle assembly and distribution £13.84m (£37.45m); insurance £8.34m (£5.43m); marine operations £6.1m (£5m); timber and construction £1.79m (£778,000 loss); tea production £1.66m (£3.2m); engineering and manufacturing £681,000 (£1.81m).

Investment income amounted to £800,000 (£316,000), central charges and interest costs, less other activities were £3.08m (£6.66m); and interest on unsecured loan stocks took £1.06m (£1.39m).

The directors point out the significant change in the profit contribution from the motor vehicle businesses which reflects reduced unit sales and lower margins in many areas.

In the UK they say the over-production of passenger vehicles and the resultant severe competition caused problems for the group's motor retailing activities where rationalisation continues.

Against this the company's activities in general merchanting have achieved "a marked improvement."

A pre-tax profit breakdown by location shows: UK £1.92m (£188,000); Continental Europe £2.08m (£3.91m); Far East £19.62m (£23.96m); South East Asia £21.33m (£27.75m); India £1.68m (£3.27m); Middle East £5.82m (£2.78m); Africa £2.06m loss (£1.23m profit); Americas and Caribbean £8.36m (£3.59m); Australia and South Pacific £10.03m (£5.88m).

Tax charge for the nine months took £35.71m, compared with £39.06m in the previous 12 months. Minority interests debited £5.23m (£7m) and after preference payments of £82,000 (£89,000) and an extraordinary debit of £2.27m, against £3.65m, the attributable balance came out just ahead at £22.38m, compared with £21.29m.

Ordinary dividends will absorb £15.29m (£14.84m) leaving £6.99m (£6.45m) retained.

The group's triennial valuation of land and buildings produced a surplus of £113.7m, which has been credited to reserves. The greater proportion of this arose in the Far East and South East Asia, directors state.

A significant development in 1981, directors state, was the decision by Inchcape Berhad, in which the company has a 63 per cent interest, to sell its Toyota distribution and assembly business in Malaysia. The sale will produce some £36m cash for Berhad.

Group balance-sheet figures include shareholders' funds of £407.1m (£244.2m), fixed assets, £348.65m (£195.38m), investments, £32.39m (£36.33m), current assets, £865.24m (£714.97m) and current liabilities of £801.1m (£659.1m).

On a current cost basis pre-tax profits are reduced to £40.14m (£49.59m) and earnings per share to 1.3p (5.2p).

See Lex

Dawson expands 14% to £23.6m

SECOND HALF pre-tax profits of textile products group Dawson International increased from £12.47m to £14.48m and lifted the figure for the year ended March 31 1982 to £23.62m, compared with £20.67m, a rise of 14 per cent.

Sales expanded by £30.5m to £211.9m for the full period, the overseas markets again being strong, the directors say.

After tax of £6.56m (£7.74m) earnings per 25p share are shown as 19.7p, compared with 15p and the dividend is effectively raised to 6p (5.5p) with a final distribution of 4p net.

The directors state that neither last Autumn's nor this Spring's knitwear business was particularly buoyant and this trend persists for the Autumn 1982. The group reacted to the slowdown in trade and the business was managed in step with this.

They add that Dawson is continuing to manage with the same prudence, while intensifying selling efforts on every front.

Commenting on the year's results they say the profitability between the various business sectors remained relatively unchanged, but with liquid resources running at a higher level than the previous year—up £5.2m to £27.6m—a larger proportion of group profits came from investment income.

Sales for the year were split as to knitwear and clothing £77.3m (£63.6m); yarn spinning and weaving £92.5m (£85.5m); raw material merchanting and processing £41.8m (£32.3m).

Pre-tax figure was after depreciation of £3.29m (£3.1m), interest received £1.84m (£650,000) and also included profit from leasing of £38,000 (£11,000).

After an extraordinary credit of £7,000 (£104,000) the attributable balance came through at £17.07m (£13.04m) of which dividends will absorb £5.2m (£4.77m).

As known, completion took place of the sale of John Haggas Knitting, and the spinning business of John Haggas for £9.2m on June 1 and 2 respectively. These contributed a trading profit of £1.3m for 1981-82.

Capital expenditure amounted to £4.3m, before grants, and shareholders' funds at the year-end amounted to £73.4m, or 84.8p per share.

Sir Alan Smith, chairman and chief executive for 36 years, is retiring on October 1, and will be succeeded by the present deputy chairman, Mr Ronald Miller.

See Lex

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Brunner Investment Trust, Doyle International, Thomas French, Rosboro Investment Trust.

Finals: Brent Walker, Chloride, Crosby Woodfield, ERF, London and Overseas Freighters, Mansfield Brewery, Nova (Jersey) Knit, Property Partnerships, Rowton Hotels, Wedgwood, Jonas Woodhead.

FUTURE DATES

Interims—

Ashdown Investment	June 22
Cambrian & General Securities	June 24
Hardy Trust	July 22
Ostwood	July 2
Trusthouse Forte	June 24

Finals—

Brown and Tawse	June 28
Jersey Investment	June 23
Technology Invest. Trust	July 7
Walker (C. and W.)	June 28

English China Clays advances to £19.39m

FIRST HALF taxable profits to March 31 1982 of English China Clays advanced from £14.9m to £19.39m, on turnover £35.04m ahead at £190.05m.

With earnings per 25p share stated higher at 8.68p (6.45p) the interim dividend is being raised from 2.7p to 3p net. The directors expect to pay a final of at least last year's level of 4.5p paid from taxable profits of £41.69m.

A breakdown of the taxable profits by division shows: clay £13.65m (£10.1m); quarries £3.71m (£3.01m); building construction £624,000 (£631,000); leisure £1.19m losses (£756,000); and transport and services £2.6m (£1.92m).

Lord Aberconway, chairman, says the clay division results improved despite a wet and severe winter. However in the comparative period, turnover was badly depressed and heavy rationalisation costs were incurred.

He says the severe weather justified the division's practice of holding substantial clay stocks which enabled it to maintain supplies to its markets. The rationalisation programme is continuing and has achieved most of the benefits sought.

There has been little improvement in the division's trade in the last six months, with the European paper industry still in recession and supply of clay and other pigments still exceeding demand.

In the quarries division the weather disrupted both its production and the activities of its customers. Drier weather since February eased the position and volumes have risen to a higher level than last year.

Lord Aberconway says the building division should benefit from lower interest rates leading to easier mortgages. Sales of houses from its building sites, after a slow start, picked up well recently.

In the first half the leisure division incurs substantial costs but receives little income—most of its income arises in the second half. In April the division acquired for £13.2m cash the holiday interests of Arthur Guinness and Sons comprising nine parks in the UK, 100 boats on the Norfolk Broads, 200 in France and 30 in Florida.

The group's associates in oil and energy continue to trade successfully and expect another year of progress.

Tax took £5m (£4.5m) leaving net profits of £14.39m (£10.4m).

See Lex

EMAP falls to £3.3m: lifts payout

AFTER A fall in second half taxable profit from £2.18m to £1.42m, East Midland Allied Press ended the 53 weeks to April 3 1982 £750,000 lower at £3.3m. The year's turnover rose to £47.7m, compared with £39.8m for the previous 52 weeks.

The final dividend of this newspaper and periodical publisher, contract printer and retailer is being raised to 2.53p net (2.35p) making a higher total of 3.68p (3.5p). Earnings per share are stated lower at 10.7p (11p).

The directors say that in the provincial newspaper division advertisement volume fell by 4.8 per cent, while revenue rose by 9 per cent. Rising costs and an industrial dispute which stopped some of the division's publications, resulted in a fall in profit.

The national publications division acquired and launched 10 new titles mainly in the computer field and high development of profit. Motor Cycle News and Smash Hits, the two most profitable publications, both increased their contribution.

Pre-tax profits were struck after appropriating £59,000 (£116,000) for an employees share scheme, which with £48,000 brought forward from last year should enable the company to make a share distribution at the same level as last year.

Depreciation came to £1.04m (£984,000), interest took £38,000 (£46,000) and there were associates losses of £58,000 (£18,000). Included in taxable profits was investment income of £544,000 (£227,000).

Tax took £662,000 (£1.62m) and after an extraordinary credit of £325,000 (nil)—for the excess of an insurance claim over the written down value of building, plant and machinery destroyed by fire at Bury St Edmunds in April 1980—the attributable profits emerged at £2.96m (£2.44m).

Dividends absorb £913,000 (£814,000), including £6,000 (same) for preference shares, and there was a plant obsolesence provision of £100,000 (nil), leaving retained profits of £1.95m (£1.62m).

● **comment**

EMAP has finished the year in a bit poorer form than expected. The Peterborough strike wiped some £300,000 off profits while travel kicked in a loss of around £200,000. Investment income and a reduced tax charge cheered up both pre-tax and after-tax figures, allowing for a slightly improved final dividend. The company has now run through its cash pile (around £3.5m) by expanding its newsagent business and engaging in some building work, including a £½m office block development in Peterborough. Neither activity sounds terribly exciting and it is questionable whether their return in the current year will match the fat investment income figure in these accounts. At the same time, EMAP has made a promising expansion into the computer magazine business and is working hard to cut back on staff costs. Newspapers should show some improvement in the year, but a return to 1980-81's £4m profit is unlikely. The shares eased 3p yesterday to 87p, where the yield is 6.2 per cent.

Lynton at £1.48m: pays more

LITTLE changed pre-tax profits were shown by Lynton Holdings for the year to March 31 1982. The surplus moved ahead from £1.31m to £1.48m on higher gross rental income of £3.08m against £2.9m.

The dividend of this property investment and development company is being lifted from 3.4p net to 3.75p with a final of 2.1p. This confirms the directors' interim prediction that the total dividend would be at least maintained.

The charge for tax rose from £276,000 to £567,000, and after minorities of £181,000 (£222,000) distributable profits emerged lower at £728,000 (£811,000).

Speyhawk chief hopeful of reaching £2.7m target

IN its first interim figures since going public, Speyhawk reports pre-tax profits of £444,000 for the six months to March 31 1982 and as stated in the prospectus, this is only a small part of the forecast profit for the full year.

Mr Trevor Osborne, the chairman, says he is confident that the group, which is engaged in the development and construction of commercial and industrial property, will achieve its forecast of not less than £2.7m for the full year.

First-half turnover was £3.9m. There was a tax charge of £89,000, leaving attributable profits of £355,000. The interim dividend is 2p and this absorbs £56,000. Stated earnings per 10p share are 3.55p.

Mr Osborne says the company's large development in the City of London, Sir John Cass House, was completed in May and the profit on this scheme will be taken in the second half of the year. Other developments due for completion before September 30 1982 are progressing satisfactorily.

He says that since the successful flotation, the company has completed the forward funding of five developments, all of which were listed in the prospectus, and several new developments are under construction.

On April 7 Speyhawk acquired H. Taylor (Isleworth), a company which owns a number of freehold properties in Isleworth, Middlesex.

Continuous Stationery improves

Continuous Stationery registered a pre-tax profit of £391,975 for the year to March 31 1982, against £331,060, on flat turnover of £3.91m compared with £3.9m. Midway profits were £41,313 lower at £150,914.

Tax for the year took £189,429 (£104,368), leaving net profits of £202,546 (£226,692).

A final dividend of 1.7p per 10p share, brings the total to 2.15p (same). Earnings per share were stated at 4.05p (4.53p).

Retained earnings at year-end were reduced to £95,046 (£119,192). CCA pre-tax profits were £195,214.

Flexello Castors returns to profits and dividends

A RETURN both to pre-tax profits and the dividend list is reported by Flexello Castors and Wheels for the six months to March 31, 1982. There was a surplus of £160,000 against a previous deficit of £599,000 on turnover improved from £3.77m to £5.25m.

The interim dividend is being restored with a net payment of 0.7p. Earnings per 25p share were given as 0.038p (losses 8.3p).

In the last full year losses before tax reached £657,000, and the directors stated that the new financial year had started well and they were confident of achieving profits in the first half.

They also predicted that the group would return a satisfactory final result and that it was their intention to make an interim payment — the last dividend was an interim of 1.41p in 1980.

They now say that while prospects for the second half remain reasonably good and they feel that a profitable trend will continue, it is doubtful whether turnover will be as high as in the first six months.

Britannic Assurance is interested in 537,500 ordinary shares, or 16.23 per cent.

Pre-tax profits were struck after exceptional debits last time of £121,000 due to reorganisation and depreciation costs.

There was a charge for tax of £33,000 against a previous credit of £324,000.

APPLIED COMPUTER

The price for Applied Computer Techniques' one-for-eight rights issue has been set at 166p. The company announced its intention to launch a cash call when it published its full year figures to March 31 1982 which showed a 33.6 per cent rise in profits to £1.01m pre-tax. The issue is of 1,247,810 new ordinary shares, raising a net £1.97m.

Minet's first-quarter progress

FIRST QUARTER pre-tax profits of Minet Holdings improved by 134 per cent from £1.19m to £2.78m and turnover for the three months to March 31 1982 rose from £7.88m to £11.89m.

The directors of this Lloyd's and general insurance broker, point out that income does not accrue evenly during the year, and the results for the single quarter should not be taken as a guide for what may be expected for the full year.

In addition, a comparison of this quarter's results with the comparable period is further distorted by changes in the status of certain subsidiaries and associated companies

In the last full year to December 31 1981 pre-tax profits were substantially higher at £14.75m against £8.68m, from turnover up from £33.91m to £46.13m. It was announced in April that the company proposed a one-for-two scrip.

● **comment**

Minet has increased its brokerage by 20 per cent in local currencies compared with the same quarter last year and remains on a strong recovery track. That increase came from Africa, the Middle and Far East but the company's two major markets, the UK and the U.S., remained sluggish. The 134 per cent jump in pre-tax profits, overstated the underlying improvement, reflecting both a sharp fall in sterling and the first time consolidation of profits from former associate companies in Southern Africa. Minet is cautious about extrapolating too much from the first quarter results as it is the least important period. Investment income has remained static with higher cash flow offset by lower interest rates. There is room for caution about the trend in Minet's expense ratio—staff numbers are moving up slightly at home and overseas, while associated costs have risen by an average 11 per cent. The shares at 204p yield 4.2 per cent. In a shrinking sector the remaining independent brokers are inevitably attracting a speculative rating.

Wm. Pickles calls in receivers

Following the suspension of dealings in both classes of ordinary shares in Altrincham-based textiles manufacturer, William Pickles, on Wednesday, the group has called in receivers from Price Waterhouse under the terms of the debenture.

Mr Henry Butt and Mr Colin Bird at the Manchester branch of the accountancy firm were locked in talks at the group's offices yesterday. But Pickles announced that the decision to call in the receivers had been taken, "in the best interests of the four continuing sections of the group, namely Glen Fabrics, A. C. Freeman, Sparrow Hardwick and Henry Bannerman (Scotland)."

Setback at midterm for Baker's Household Stores

A FALL from £522,528 to £470,865 in pre-tax profits is reported by Baker's Household Stores (Leeds) for the 26 weeks to March 27 1982. Turnover rose by 10 per cent from £3.1m to £3.41m, with the increase being due to new stores.

Mr Barry Baker, chairman, says trading in the old stores was 5 per cent lower than the record figures of the previous period, being adversely affected by the extreme weather conditions of December and January, and the continuing state of the economy.

He says that the continuing poor economic conditions, and poor spring weather, have made trading difficult in the first eight weeks of the second half, but better weather in the past two weeks to date have made for slightly better conditions.

The interim dividend is unchanged at 0.65p—last year's total was 1.65p from pre-tax profits of £962,590.

Dividends absorb £32,500 (same) and stated earnings per 10p share were down from 5.02p to 4.52p.

The pre-tax figure was struck after interest receivable up from £117,174 to £118,893. Tax took £244,850 compared with £271,715, leaving attributable profits of £226,015 (£250,813).

A better second half for Braby

AN IMPROVED second half as predicted enabled Braby Leslie, mechanical and civil engineer, to push up its full year profits by £39,000 to £301,000 at the pre-tax level, with the second six months' contribution coming through at £201,000, compared with £152,000 previously.

Turnover for the 12 months, to March 31 1982, was slightly higher at £31.32m (£30.99m). Tax took £30,000 (£283,000) but there was also a release of deferred tax the previous year amounting to £331,000.

Attributable profits totalled £30,000 (£90,000) after extra-ordinary debits of £241,000 (£220,000), principally comprising a provision of £208,000 for the impending closure of E. C. Payter, part of the process engineering division.

The dividend for the year is reduced by 1p to 1.5p per 10p share. The interim was omitted (1p) but in their half yearly report the directors said indications pointed to an improved second half which would allow the recommendation of a final payment.

On a net basis stated earnings per share for the year were lower at 2.7p (3p) but on a nil basis they emerged the same at 4.1p. Net tangible assets per ordinary share were down from 88.7p to 87.5p.

Brit. Steam Specialties expansion

TAXABLE PROFITS of the British Steam Specialties Group rose from £1.88m to £2.13m in the year to March 31 1982, on turnover £3.42m ahead at £50.11m.

And with earnings per 20p share of this specialist supplier of pipeline equipment given higher at 12.4p (9.8p) the final dividend is being raised from 3.25p to 3.5p net making a raised total of 5.5p (5.25p).

The pre-tax profits were struck after finance charges of £517,000 (£658,000) and tax took £645,000 (£661,000).

At the half year stage the group had fallen behind with taxable profits of £995,000 (£1.37m).

Current cost adjustments reduced the year's profits to £1.26m (£899,000).

Staveley second-half pick-up

AN UPWARDS trend is predicted by the directors at Staveley Industries after reporting a 4 per cent decline in pre-tax profits from £7.33m to £7.05m for the 53 weeks to April 3 1982. Turnover slipped from £164.25m to £152.6m.

Second-half profits moved ahead from £4.07m to £5.05m. At the interim stage the directors expected a second half improvement.

Although in the present circumstances it is impossible to be bullish, the directors believe that from now on the trend will be upwards.

The weak UK construction market will make a further increase in profits in electrical and mechanical services difficult to achieve. The improving performance in foundries is expected to continue.

Measures taken last year in machine tools and engineering are expected to improve results after a major setback this time from trading profits of £810,000 to losses of £1.3m. Depending on demand, an improved result could be seen from mineral products.

The final dividend is held at 8.5p which maintains the total at 13p net. Earnings per £1 share are given as improving on a net basis from 30.5p to 33.2p and on a nil basis from 25.9p to 39.5p.

An analysis of turnover and trading profits by division shows: electrical and mechanical services £38.75m (£37.64m), £1.41m (£1.14m); foundries £16.09m (£23.08m), losses £626,000 (losses £853,000); machine tools and engineering £26.62m (£35.95m), losses £1.3m (profits £810,000); mineral products £33.1m (£27.96m), £7.91m (£6.81m); Salter £17.39m (£16.55m), £1.02m (£16,000); U.S. and Canada £20.64m (£23.06m), £1.11m (£1.85m).

Pre-tax profits were struck after interest charges little changed at £2.47m (£2.45m). Tax took less at £1.2m (£2.03m).

After reduced extraordinary debits of £3.83m (£5.51m) there were attributable profits of £986,000 against previous losses of £1.09m. The extraordinary debits are mainly due to the closures and disposals.

On a CA basis pre-tax profits were reduced to £2.45m (£1.59m).

● **comment**

Given the recent experiences of British manufacturing industry, Staveley's return to attributable profits is a creditable achievement. British Salt has consistently exceeded expectations over the past five years, and boosted by the winter weather, turned in 83 per cent of total trading profits. The turnround into losses of £1.3m in Machine Tools and Engineering was a less pleasant surprise. Although Kearns Richards is now back to full time working, the deepening recession in the U.S. makes for a very uncertain outlook for the machine tool order book. Salter is now benefiting from previous product development, increasing market share throuh technical advance. Having acquired Sonic in March, a further U.S. acquisition in the NDT field is imminent. Rationalisation has cost almost £14m below the line in the last three years, but the company feels it has sweated enough blood, and with gearing at only 16 per cent, is prepared to expand.

1981-82 High	1981-82 Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
120	120	Ass. Brit. Ind. Ord.	120	—	6.4	5.3	10.9	13.4
130	100	Ass. Brit. Ind. CULS	128	—	10.0	7.8	—	—
75	62	Airsprung	70	—1	6.1	8.7	8.0	13.7
51	33	Armitage & Rhodes	42	—	4.3	10.2	3.5	7.9
217	187	Bardon Hill	217	+1	9.7	4.5	10.5	12.8
109	100	CCL 11pc Conv. Pref.	109	—	15.7	14.4	—	—
265	249	Cindico Group	265	—	26.4	10.0	10.7	12.0
104	60	Deborah Services	60	—	6.0	10.0	3.0	5.6
131	97	Frank Horsell	131	—	6.4	4.9	11.8	24.3
83	39	Frederick Parker	74	—	6.4	8.6	3.8	7.2
78	46	George Blair	54	—	—	—	—	—
102	93	Ind. Precision Castings	98	—	7.3	7.4	7.1	10.7
110	100	Isis Conv. Pref.	110	—	15.7	14.3	—	—
113	94	Jackson Group	106	+1	7.5	7.1	3.3	6.8
130	108	James Burrough	112xd	—	9.8	8.6	8.2	9.1
334	230	Robert Jenkins	230	—	31.3	13.6	3.2	8.1
71	51	Scruttons "A"	68½xd	—2½	5.7	8.3	8.9	10.7
222	154	Torday & Carlisle	154xd	—	11.4	7.4	6.9	11.8
16¾	10	Twinlock Ord.	16¾	+¼	—	—	—	—
80	66	Twinlock 15pc ULS	79	—	15.0	19.0	—	—
44	25	Unilock Holdings	25	—	3.0	12.0	4.5	7.6
103	73	Walter Alexander	84	—	6.4	7.6	5.5	9.8
263	212	W. S. Yeates	235	—1	14.5	6.2	6.2	12.3

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Further optimism as B & C profits move ahead to £28m

FOLLOWING A buoyant second half in which pre-tax profits increased from £12.53m to £15.17m, the British & Commonwealth Shipping Company improved its 1981 figures from £24.19m to £28.31m. The final dividend is raised from 7p to 7.5p net for an increased total of 13.5p against 12.5p.

Profit from shipping, aviation and other activities rose from £37.4m to £43.2m, and operating profit was up from £10.02m to £15.47m, after depreciation of £28.33m (£27.38m). Dividends and interest receivable added £15.88m (£12.88m), but interest payable was up from £12.57m to £13.01m. The share of profits less losses of associates was down from £13.87m to £9.99m.

Tax took £7.83m (£8.4m), with the group's share increasing from £3.82m to £5.37m. After minorities of £3.86m (£4.48m) and extraordinary credits of £1.15m (£7.34m), available profits emerged at £17.73m, compared with £20.68m. Dividends absorb £4.37m against £4.05m, leaving retained profits lower at £13.36m (£16.62m). Stated earnings per 50p stock unit rose from 51.1p to 55.1p.

A breakdown of operating profit by division shows (in £000s): shipping 359 (3,785); air transport 9,230 (4,861); aviation support services 4,846 (3,579); hotels 399 loss (940 loss); marine and aviation insurance 109 (1,240 loss); office equipment 1,233 (2,384); other activities 104 (755).

The reduction in other activities is primarily attributable to increased expenditure in connection with oil and gas exploration.

The directors say that although it is too early to give any firm prediction of the results of the current year, present indications are that the profits before tax will show some improvement over those for 1981.

The directors have recommended an increase in the issued share capital by way of a capitalisation issue of one new ordinary stock unit of 50p for every 10 ordinary stock units held.

Turnover of Caledonia Investments, which owns 49 per cent of British and Commonwealth, slipped from £9.2m to £8.82m for the year ended March 31 1982, but taxable profits moved ahead slightly to £4.38m, compared with £4.14m.

From earnings per 25p share of 16.57p (15.36p) the dividend is increased to 14.5p (13.5p) net with a final payment of 8.5p.

After tax of £1.38m (£962,000) and minorities £35,000 (£121,000), the attributable balance was £2.97m (£3.07m) of which dividends will absorb £2.6m (£2.43m).

Better than hoped for second half figures enabled Amber Industrial Holdings to lift its pre-tax profits for the full year to March 31 1982 to £206,999, a sharp improvement on the £102,041 returned for 1980-81.

Midyear profits advanced by £101,000 to £127,000, but the directors did not expect those of the second six months to be as high, although an improved full year outturn was anticipated.

Turnover of the group, which is controlled by Caledonia Investments, totalled £4.74m (£4.5m) and trading profits were £590,733 (£437,999). These were subject to depreciation of £199,516 (£188,300) and net interest paid of £82,218 (£147,658).

Tax took £141,649 (£18,735)—there was also an exceptional tax credit last time of £179,818.

Stated earnings per 10p share were 6.28p (3.06p before exceptional credit) and the dividend rises from 2.5p to 3p net by a final of 2p. Profit before tax on a CCA basis was £234,000 (£18,000).

● comment

British and Commonwealth has beaten its half time forecast by £2m. The deterioration in bulk rates led to a decimation of shipping profits; in a sense B and C has benefited from the run down of its direct shipping interests, though the 20 per cent drop in contribution from associates can be traced to the 20 per cent stake in Overseas Containers. The 90 per cent rise in profits from air transport reflects both increased profits from Bristow Helicopters and reduced losses from UK Air — the latter should be trading profitably by the end of this year. The shares had gained about 40p since the end of May to an all time high of 470p. On Wednesday the price shed 2p and after the results continued profit taking saw them fall a further 13p to 455p, yielding 4.3 per cent. Assets are in the books at £7 per share, but £10 seems a more realistic estimate.

Downs Surgical moves into losses of £42,000

INCREASING competition has eroded margins at Downs Surgical, maker of surgical instruments, resulting in a dive from pre-tax profits of £275,000 to losses of £42,000 for the year to March 31, 1982. Sales were ahead from £16.24m to £17.34m.

The improved level of UK sales in the early months of the new financial year is encouraging, the directors say. Export momentum has been maintained. Recent management changes and current internal reorganisation are yielding benefits and they feel that the payment of a small dividend is justified.

The dividend is being reduced from 0.6p to 0.3p net for the year. Losses per 10p share are shown as 1.15p against earnings of 0.89p, before exchange differences and extraordinary debits.

Continental & Industrial

Revenue of the Continental and Industrial Trust came out ahead from £1.91m to £2.28m for the year ended May 31 1982, after tax of £1.56m, against £1.16m.

And the dividend is increased by 2p to 13p net per 25p share with a final payment of 9p. Stated earnings are shown as 13.23p, compared with 11.04p per share.

Net asset value at the year end is given as 370p, against 377p.

Gross revenue amounted to £4.21m (£3.56m) and expenses and interest took £373,735, compared with £496,153.

Bradford Property

Pre-tax profits of the Bradford Property Trust increased from £6.89m to £7.3m for the year ended April 5 1982 and the dividend is lifted 25 per cent to 5p net per share with a final of 3p.

Surplus from property rentals amounted to £2.37m (£1.98m) and profits from property sales totalled £4.07m (£4.37m), which included dealing companies' contribution of £4.03m (£4.31m). Pre-tax figure included other income of £860,036 (£577,149).

Tax charge for the year took £3.5m, against £3.22m, leaving net profits of £3.79m (£3.67m).

EUROPEAN OPTIONS EXCHANGE

Series		Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	Stock
GOLD C	$300	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	$309.5
GOLD C	$325	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
GOLD C	$350	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
GOLD C	$400	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
GOLD P	$300	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
GOLD P	$325	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
GOLD P	$350	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
GOLD P	$375	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
12% NL 81 87-91								
C	F.107.50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	F.111
C	F.110	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
C	F.112.50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
P	F.110	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
P	F.112.50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
P	F.115	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
P	F.117.50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
10½ NL 80 86-95								
P	F.102.50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	F.100.30
P	F.105	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
11¼ NL 82 88-92								
C	F.100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	F.101.80
P	F.100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
P	F.102.50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
10 NL 82 88-89								
C	F.100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	F.97.80

Series		July Vol.	July Last	Oct. Vol.	Oct. Last	Jan. Vol.	Jan. Last	Stock
ABN P	F.280	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	F.285.50
AKZO C	F.25	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	F.23.70
AKZO C	F.27.50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
AKZO P	F.25	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
HEIN C	F.55	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	F.57.20
HEIN C	F.60	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
HEIN P	F.55	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
HEIN P	F.60	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
HOOG C	F.15	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	F.14.60
HOOG C	F.17.50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
HOOG P	F.15	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
KLM C	F.90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	F.90.50
KLM C	F.100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
KLM C	F.110	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
KLM C	F.120	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
KLM P	F.90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
KLM P	F.100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
NEDL C	F.110	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	F.113
NEDL C	F.120	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
NEDL P	F.110	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
NEDL P	F.120	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
PHIL C	F.22.50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	F.22.40
PHIL C	F.25	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
PHIL P	F.22.50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
RD C	F.80	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	F.87.50
RD C	F.90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
RD P	F.80	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
RD P	F.90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	

TOTAL VOLUME IN CONTRACTS: 7024
A=Asked B=Bid C=Call P=Put

St. George underwriting documents

UNDERWRITING documents will be issued today in support of the mainly equity offer by Spring Grove for St George's Group. The deal, which is expected to be worth between £7.5m and £8.5m, compares with St George's market capitalisation of about £6.9m at yesterday's suspension price of 139p per share.

The merger has been agreed by the St George's board, which has a strong stake in the group, although it is understood that the managing director, Mr Nigel Armstrong, will be accepting the cash underwritten terms. The deal will be presented as a harmonisation of Spring Grove's strength in the garment rental market and St George's growing presence in linen hire and flat-work laundry.

Further consolidation at Berec

British Ever Ready, the battery group formerly known as Berec, has undergone further consolidation at the hands of Hanson Trust, the industrial holding group which acquired it last December.

The company's 60 per cent interest in Berec Nigeria and its 40 per cent interest in Berec International Sales Nigeria have both been sold to Whitfield Electrics, a private UK company, for £2m cash.

Hanson said the two Nigerian companies had total sales of £22m in the year to February and had incurred pre-tax losses of approximately £2m. Their sale was not expected to leave Hanson with any significant book loss.

Mr Martin Taylor, a Hanson director, said the pruning of the former Berec operations was now "really rather well on."

BIDS AND DEALS

Security Centres chairman resigns

Mr Stewart Jamieson, the 41-year-old chairman and managing director of Security Centres Holdings, the fast-growing burglar and fire alarms business, yesterday announced the sale of his 11.25 per cent stake in the company and his resignation from the board.

The shares fell 7p on the day to 139p. It was understood that over recent days Mr Jamieson had placed 500,000 shares with institutional investors through the market at prices up to 155p. The bulk of his remaining 1.11m shares were placed directly by Aitken Hume, the financial services group which acts as adviser to Security Centres.

Mr Tim Aitken, an executive director of the company and managing director of Aitken Hume, said Mr Jamieson had acted for entirely personal and family reasons which had "nothing to do with the company at all." The timing of his resignation, disclosed to the board in recent days, had been rather sudden. "But the idea of his moving out of the company had been around for some months," said Mr Aitken.

The company announced that Mr Jamieson wished to devote more of his time to his chairmanship of two other public companies—The Old Swan, a leisure company, and Whittington Estates, a property company—and private interests.

Mr Aitken said there would be "a very real sense of continuity" as the management of Security Centres would be remaining in the hands of long time friends and associates of Mr Jamieson.

He is to be succeeded as chairman and chief executive by Mr Brian O'Connor who was previously managing director. Mr Tom Forrest will be the new managing director. Other board changes include the resignation of Sir Hugh Fraser, MP, as a non-executive.

Mr Aitken said this was unconnected with Mr Jamieson's departure. His own cousin, Mr Jonathan Aitken, MP, has been appointed a director of the company with particular responsibility for new business interests in the Middle East.

Intermed buys Heto Lab of Denmark for £0.5m

THE HEALTH care division of the Thomas Tilling group, Intermed, has acquired Heto Lab Equipment of Copenhagen for just over £500,000 cash.

Tilling has rapidly expanded its health care activities recently as part of its effort to diversify out of its traditional construction and industrial equipment business and build up turnover outside the UK.

Heto is one of Europe's leading manufacturers of temperature regulation equipment, freeze driers and laboratory deep freeze equipment, Intermed said. It has annual sales of DKr 20m (£1.36m).

Tilling's health care division achieved profit before interest and tax of £13.1m on turnover of £171.6m in 1981—respectively 12 and 8 per cent of group totals.

Lonrho protest at Fraser lobby

Lonrho, the international trading conglomerate, is planning to make representations to advisers of House of Fraser about the conduct of the Fraser campaign against Lonrho's attempts to gain more influence in the stores group's affairs.

The move is another development in the battle between Lonrho and Fraser as both sides lobby support from Fraser shareholders ahead of the stores group's annual general meeting on June 24. Lonrho has put down two ordinary resolutions which the Fraser board argue will "limit the freedom of action" of the Fraser board if they are passed.

Lonrho is now arguing that in the canvassing of Fraser shareholders by the Fraser camp shareholders are gaining the impression that Fraser's own resolutions for issuing equity only empower it to issue shares up to 5 per cent of the existing capital.

In its own resolutions Lonrho is seeking to block the issuing of shares in the future by Fraser directors unless they have approval from shareholders.

Lonrho is concerned about two resolutions advanced by the Fraser board relating to the issue of equity and that confusion might exist in some shareholders' minds about their significance. It is only one resolution—resolution 1—which carries a 5 per cent limitation, stresses Lonrho.

Earlier during the campaign Fraser had described Lonrho's move as an attempt to stop Fraser diluting its 29.99 per cent shareholding in Fraser in the future. Fraser has sought approval from shareholders for directors to allot unissued share capital to £11.35m, or 45m shares.

Shareholders have been told this week by Fraser that their approval would need to be sought for the issue of far less than 45m shares for any acquisition and "any suggestion to the contrary is wrong."

Lonrho is planning to ask the Fraser camp that if shareholders have voted by proxy already they should be given an opportunity to reconsider.

Major stake taken in A. Caird

A NEW company, set up by two former corporate finance directors from Arbuthnot Latham and backed by the merchant banking arm of the English Association Group, has taken a major stake in the Dundee-based clothing and sports goods retailer A. Caird and Sons with a view to restoring profitability, boosting financial resources and to develop it "into a more broadly-based trading company."

Mr Christopher Parker and Mr Christopher Queich, previously with Arbuthnot, have formed Parque Investment to take a 36.6 per cent stake in the enlarged capital of Caird. Parque is to subscribe for a new issue of Caird ordinary shares, equivalent to 180,000 shares of £1 each at a price of 335p cash per share. The issue will raise £603,000 before expenses for Caird.

The two founders of Parque will hold 35 per cent of the newly formed investment holding company, which is to be backed by a group of UK and overseas investors, including the English Association Trust.

Caird's marketability is to be improved by a one-for-one scrip issue and par value is to be reduced from £1 to 25p. Parque's subscription will take place after the capital reorganisation, given the approval of Caird shareholders at a forthcoming extraordinary meeting, and will be effected at an equivalent price of 41.875p per share.

The Takeover Panel has agreed to waive Parque's obligation to make a general offer to all Caird shareholders under Rule 34 of the City Code provided shareholders' approval is given.

The Caird board has given irrevocable undertakings to accept Parque's proposals in respect of 7.9 per cent of the shares while other big holders, including Industrial and Commercial Finance Corporation, have given irrevocable undertakings to vote in favour of the resolutions in respect of 53.4 per cent of the equity.

Caird lost £216,000 pre-tax in the year to January 29, 1982. Net worth is shown at 304.9p per share or 509.7p per share on a current cost basis.

LONDON TRADED OPTIONS

June 17. Total Contracts 1017 Calls 487 Puts 348

Option	Ex'rcise price	July Closing offer	July Vol.	Oct. Closing offer	Oct. Vol.	Jan. Closing offer	Jan. Vol.	Equity close
BP (c)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	304p
CU (c)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cons. Gld (c)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ctlds. (c)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GEC (c)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GEC (p)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Gr'd Met. (c)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ICI (c)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ICI (p)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Land Sec. (c)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mks & Sp. (c)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Shell (c)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Shell (p)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	

Option	Ex'rcise price	August Closing offer	August Vol.	November Closing offer	November Vol.	February Closing offer	February Vol.	Equity close
Barclays (c)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Barclays (p)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Imperial (c)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lasmo (c)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lonrho (c)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
P & O (c)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Racal (c)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Racal (p)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
RTZ (c)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
RTZ (p)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Vaal Rfs. (c)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Vaal Rfs. (p)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	

C=Call P=Put

MINING NEWS

Amcoal can still take the confident view

BY KENNETH MARSTON, MINING EDITOR

IT IS, sadly, all too rare these days for a mining company to look back on an excellent year and to anticipate further growth in the current period. This is the achievement of the Anglo American Coal Corporation (Amcoal) which in the 15 months to March 31 raised earnings to R131.3m (£67.7m), an increase of 32.8 per cent on an annualised basis.

Mr Graham Boustred, the chairman, says in the annual report, however, that this year's growth will be "at a significantly lower rate" than that of the previous 15-month period. But he points out that the group's export production is effectively fully sold for this year despite the weakening in overseas coal markets.

Last year South Africa's coal production increased to some 130m tonnes while Amcoal sales ran at an annual rate of 36m tonnes. Mr Boustred says that new business already secured will allow Amcoal's planned coal output to go above an annual rate of 80m tonnes within the next 10 years.

He notes that South Africa's exploitable coal reserves are put at 51bn tonnes. Those of Amcoal now amount to some 12bn tonnes and the company's position "is demonstrably very strong and should continue to be improved as a result of the group's ongoing exploration effort."

At the end of March Amgold's capital spending commitments on new mines and other assets was estimated at R1.36bn. During yesterdays general slide in mining sharemarkets Amcoal lost £1 to £11½.

India's new offer to Ashton

THE Indian Government's Metals and Minerals Trading Corporation (MMTC) has made a new offer to market diamonds to be produced at the Ashton joint venture in Western Australia, according to a spokesman for the venture's manager CRA.

The link between the countries arises from the fact that the big cutting centre in Bombay specialises in the very tiny gem diamonds and the small "near gem" qualities which will form a large portion of Ashton production.

An earlier offer was made by MMTC but this was considered unacceptable. CRA thus recommended its venture partners, Ashton Mining (38.2 per cent) and Northern Mining (5 per cent), to accept the marketing proposals put forward by the South African De Beers group's Central Selling Organisation (CSO) which handles the sales of some 80 per cent of world diamond production.

This week, however, Ashton venture representatives are reported to have met officials of MMTC in Bombay to discuss the latest Indian offer.

The CRA recommendation on the CSO offer is still being considered by the venture partners and the latest move will also be put to them, the CRA spokesman added. He was unable to give any details of the Indian proposals.

The CSO has offered to buy all quality gem output from Ashton, thought to be about 10 per cent of production, and a further 75 per cent of the remaining lower grade material. The venture partners would market the rest.

Commercial mining is expected to begin late this year and the exploitation of the main diamond pipe at Argyle is scheduled for late 1985. Eventual production is expected to reach an annual rate of some 20m carats.

Olympic Dam Bill is defeated

THE Upper House of the South Australian State Parliament has rejected legislation which would have given permission for a go-ahead at the massive Olympic Dam copper-gold-uranium prospect near Roxby Downs in South Australia.

It has an output potential of some 150,000 tonnes of copper and by-products a year and is a joint venture between Western Mining (51 per cent) and BP Australia (49 per cent). So far the joint venturers have spent A$50m (£29.3m) on the project which could cost some A$1.5bn if taken to production.

The necessary legislation for a go-ahead was defeated when the opposition Labor and Democrat parties combined to vote against the State Government. The Labor party has long expressed its opposition to uranium mining.

Under the terms of the outline agreement for development of the project, the necessary legislation had to be in place by June 30 before the partners could proceed. Mr Roger Goldsworthy, the South Australian deputy prime minister and Minister of Mines, will begin talks with Western Mining and BP to keep the project alive.

Mr Keith Parry, Western Mining's director of operations, said that any decisions on the future of Olympic Dam will depend entirely on these talks. He pointed out that the joint venturers will not continue to invest in the development of the project without legislative backing.

The irony of the situation is that Olympic Dam could provide a big contribution to the state's economy together with much-needed employment. At the same time, however, markets for both copper and uranium are weak and Western Mining and BP must be one of the few partnerships prepared to press on with the development of big new mining projects under the present economic climate.

Last month Esso Exploration and Production (Australia) decided to pull out of its 15 per cent stake in Western Mining's Yeelirrie uranium project in Western Australia, but said that it would honour its commitment to provide 80 per cent of the estimated A$24m cost of stage one.

Esso's reason for withdrawing was that its continued involvement was no longer economically viable under the terms of the joint venture in view of the outlook for the uranium market. Western Mining is now seeking a new partner while West Germany's Urangesellschaft remains in, for the time being at least, with 10 per cent.

Canadian asbestos

THE troubled asbestos mining industry in Quebec expects no relief from gloom this year and operating rates and prices are not now likely to improve until well into 1983, reports Robert Gibbens from Montreal.

Mr Marcel Dorais, president of Asbestos Corporation, Canada's second largest fibre producer after Johns-Manville, said that world demand this year will probably come out at the same depressed level as in 1981. Fibre prices have not increased since January 1981 and since then mining costs have moved up at an annual rate of 15 per cent.

Canadian asbestos mines generally, including the six in Quebec and that of Cassiar Asbestos in British Columbia are operating at around 50 per cent of capacity. Widespread lay-offs have been made and long summer shutdowns are planned. Canada supplies more than half the western world's asbestos fibre needs.

SPAIN

June 17	Price %	+ or −
Banco Bilbao	355	
Banco Central	340	
Banco Exterior	308	
Banco Hispano	316	
Banco Ind. Cat.	113	
Banco Santander	356	
Banco Urquijo	169	
Banco Vizcaya	369	
Banco Zaragoza	245	
Dragados	130	[illegible]
Espanola Zinc	70	
Fecsa	65.2	
Gal. Preciados	33	
Hidrola	63	
Iberduero	52	
Petroleos	81.5	−1.5
Petroliber	101	+2
Sogefisa	7	−1
Telefonica	70	−0.7
Union Elect.	58.7	−0.8

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Amber Ind.	2	Aug 6	2.5	3	2.5
Baker's Stores int.	0.65	Aug 6	0.65	—	1.65
Braby Leslie	1.5	Aug 2	1.5	1.5	2.5
British and Amer. Film	2.31	—	1.58	2.31	2.88
B & C Shipping	7.5	Aug 6	7	13.5	12.5
British Steam Specials	3.5	—	3.25	5.5	5.25
Caledonia Invests.	8.5	Aug 9	8	14.5	13.5
Continental and Ind.	9	Aug 6	7.5	13	11
Continuous Stationery	1.7	Aug 3	1.7	2.15	2.15
Dawson Intl.	4	Aug 26	3.5*	6	5.5*
Downs Surgical	0.3	Oct 4	0.6	0.3	0.6
EMAP	2.53	—	2.35	3.68	3.5
English China Clays int.	3	July 21	2.7	—§	7.2
Flexello int.	0.7	July 30	Nil	—	Nil
Inchcape	11†	Oct 2	11	18.15†	18.15
Lynton	2.1	July 20	1.9	3.75	3.4
Northern Securities Tst.	4	July 30	3.4	5	4.4
Pauls and Whites	5.25	—	4.75	7.5	6.5
Speybank int.	2	July 20	[illegible]	[illegible]	[illegible]
Staveley Inds.	8.5	Aug 10	8.5	13	13
Third Mile	0.88	—	0.88	1.58	1.58

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM Stock. § At least maintained final of 4.5p forecast. ¶ For nine months.

BANK RETURN

BANKING DEPARTMENT

	Wednesday June 16 1982	Increase (+) or Decrease (—) for week
Liabilities	£	£
Capital	14,553,000	—
Public Deposits	41,084,515	+ 3,424,451
Bankers Deposits	592,756,263	— 19,334,131
Reserve and other Accounts	1,877,488,963	— 43,955,901
	2,525,882,741	— 59,865,581
Assets		
Government Securities	719,735,304	— 14,885,000
Advances & other Accounts	1,154,634,155	+ 358,420
Premises Equipment & other Secs.	631,097,330	— 48,963,493
Notes	20,079,927	+ 3,646,905
Coin	336,025	— 22,413
	2,525,882,741	— 59,865,581

ISSUE DEPARTMENT

Liabilities	£	£
Notes Issued	10,675,000,000	— 25,000,000
In Circulation	10,654,920,073	— 28,646,905
In Banking Department	20,079,927	+ 3,646,905
Assets		
Government Debt	11,015,100	—
Other Government Securities	3,312,351,580	+ 238,368,259
Other Securities	7,351,633,320	— 263,368,259
	10,675,000,000	— 25,000,000

Sanlam and Rembrandt clash over Gencor

By Bernard Simon in Johannesburg

A DISAGREEMENT over the management of General Mining Union Corporation (Gencor), South Africa's second largest mining house, has sparked an acrimonious public row between Rembrandt and Sanlam, two of the country's biggest Afrikaner-owned companies.

Dr Fred du Plessis, managing director of Sanlam, which owns 51 per cent of Gencor's holding company Federale Mynbou, said yesterday: "We don't want to fight, but we have to protect our rights."

Dr du Plessis said the disagreement centred on a difference of philosophy. But it appears to have been exacerbated by a serious personal rift between Dr Wim de Villiers, Gencor's chairman, and Dr Andreas Wassenaar, Sanlam's chairman.

Dr du Plessis insisted that Sanlam has no intention of using its power of dismissal against Dr de Villiers, one of the most influential figures in Afrikaner business circles.

Dr de Villiers is in any case due to retire in less than two years.

Rembrandt, which holds 30 per cent of Fedmyn, has blocked a Sanlam proposal to facilitate the dismissal of directors from the boards of Fedmyn and Gencor. Sanlam has also proposed increasing the number of directors on Fedmyn's board from 12 to 15.

Under South African law, any shareholder with an interest of more than 25 per cent can veto changes in a company's articles of association.

Dr du Plessis said that Sanlam now intends to bypass Fedmyn and to ask Gencor shareholders directly to approve its proposals.

Sanlam is keen to assert control over Fedmyn and Gencor in the face of Rembrandt's argument that management of the mining and industrial empire should take the form of a "partnership" between Rembrandt, Sanlam and Volkskas, the big Afrikaner bank which owns 5 per cent of Fedmyn and has sided with Rembrandt.

Third-quarter loss for Texas computer group

BY PAUL BETTS IN NEW YORK

DATAPOINT, the Texas-based small computer systems and telecommunication equipment manufacturer bedevilled in recent months by a weak market and irregular sales practices, incurred a $23m loss in its third quarter — the company's first quarterly loss in nearly a decade.

In reporting the loss, Mr Harold O'Kelley, chairman, said that a review of the company's domestic marketing division had been completed which revealed that at a time when deteriorating economic conditions in the U.S. economy were adversely affecting the company's business, certain Datapoint marketing employees engaged in "marketing practices that resulted in an unusually high level of product returns."

This has forced the company to cancel significant amounts of sales from its books because of the questionable practices of some officials seeking to maintain on paper at least the company's series of record profits in as many as 39 quarters.

In the latest quarter, the company's revenues totalled $99.4m after the reversal of about $15m in revenue generated in previous quarters by the irregular sales practices of some company officials. Revenues in the same period last year totalled $116.9m while revenues in the previous quarter of the current fiscal year totalled $141.7m.

The reversal of $15m in revenue contributed to about $4.4m of the third quarter net loss of $23m, the company said. In the same period last year, Datapoint earned $12.9m.

Since the irregularities were uncovered, five marketing executives have resigned. A senior officer also resigned from the board and has been reassigned to a staff position within the company, Datapoint said.

The company also said significant bad debt and stock provisions were made during its third quarter to reflect current business and economic conditions. Mr O'Kelley said that economic conditions led to a worsening of an already weak order rate during the third quarter and to shipments and backlog which were substantially lower compared to the previous quarter and the same period last year.

However, international business was holding up better than the domestic business even though foreign markets remained soft.

For the nine months ended April 30, the company's net loss totalled $899,000, compared with earnings of $35.3m in the same period the previous year. Revenues totalled $367.1m compared with $328.4m in the comparable period the year before.

Optimism at Brush Wellman

BY OUR FINANCIAL STAFF

BRUSH WELLMAN, the U.S. berryllium producer, is expecting "flat" first half results this year, but is confident that it will be able to report a sharply improved performance during the second half if expectations of an economic upturn in North America are borne out, Mr Henry Piper, the chairman, said in London yesterday.

First quarter net profits rose slightly to $4.9m from $4.5m a year previously, on sales of $34.2m, compared to $29.4m. Full year sales in 1981 grew 5 per cent to $199.1m with beryllium products contributing $124m of the total, while profits were $19.3m ($18.2m).

The company, which is the world's sole integrated producer of beryllium metal, beryllium alloys and ceramics and related products, foresees strong growth in demand from its main customers in the aerospace, weapons and microelectronics industries, where the metal's special properties mean that it has no economically attractive substitute, according to Mr Piper. In addition, Brush Wellman expects growing sales to the oil exploration industry.

Brush Wellman is counting on economic recovery later in the year to lift the fortunes of its equipment components division, where it believes there is substantial demand for its newly developed family of non-asbestos fibrous friction materials, used in such applications as clutch and brake parts. By contrast the quartz products division, where first quarter sales fell from $2.5m a year ago to $1.6m, is still suffering from slack demand.

Bauknecht reduces workforce

BY KEVIN DONE IN FRANKFURT

BAUKNECHT, the financially-stricken West German household appliances manufacturer, is to dismiss around 1,100 of its 7,000-strong domestic workforce by the end of the year.

Last month the company, one of the best-known West German makers of washing machines, dish-washers and cookers, was forced to apply to the courts for a legal settlement with its creditors in a last effort to stave off bankruptcy.

Its banks had refused to go along with proposals aimed at easing the company's liquidity crisis, which would have involved writing off about DM 70m ($28m) in existing credits and the granting of DM 100m in new loans.

Bauknecht, which is still privately owned, is proposing to split itself into four independent operating companies from the beginning of next year.

The four divisions will concentrate on the manufacture of:

- household appliances—washing machines, fridges, freezers, cookers and dish-washers,
- built-in kitchens,
- heaters — heat pumps, storage heaters and hot-water heaters,
- electric motors.

The company had sales in 1981 of DM 1.6bn and a workforce of about 12,600.

Eurodollar bond prices tumble

By Alan Friedman

THE Eurodollar bond market yesterday suffered one of its worst days since the start of the current shake-out in prices three weeks ago. Prices of many seasoned and recent issues were marked down by as much as a point, with prices declining ½ point on average.

The six-month Eurodollar interbank deposit rate moved above 16 per cent last night, a rise of 100 basis points since last Friday. The Swiss franc Eurodeposit rate increased ⅛ point to 6¼ per cent yesterday as the Swiss bond market suffered a price decline of ½ point.

Several Eurobond houses are admitting that the depressed state of the market and the need to unload heavy bond inventories is resulting in losses which could wipe out a sizeable part of the profits made during the first four months of this year.

One bond trader commented: "I won't even attempt to put a brave face on. It's very very bad. All the hard work of the first quarter is being lost in this shake-out."

The fundamental problem facing the market is the extreme dearth of investors and the large inventories still on the books of various houses.

The Bank of Nova Scotia's new $150m floating rate note issue was increased by Morgan Stanley to $200m, a good sign for the borrower, but an illustration of the market's case of interest rate jitters.

The new $30m of European Coal and Steel Community 14¾ per cent bonds were quoted at pre-market prices of 96 to 96½ yesterday, against an issue price of 99½. The issue is reported to be moving slowly and is yielding 15.80 per cent, against an issue price yield of 15 per cent.

In Switzerland, where short-term deposit rates are up ½ to ¾ point, a sombre mood has set in among bond market participants. A SwFr 30m five-year convertible issue for Achilles Corporation is being placed privately by Union Bank of Switzerland. The coupon is 6¼ per cent.

The West German foreign bond market was closed yesterday because of the national holiday there.

Ambrosiano calls in central bank

By James Buxton in Rome

BANCO AMBROSIANO, the leading Italian private bank whose chairman, Sig Roberto Calvi, mysteriously disappeared late last week, said last night it would ask the Bank of Italy to appoint a commissioner to take charge of its affairs.

The move followed a disastrous day for Banco Ambrosiano shares on the Milan stock exchange, which at one point resulted in a suspension of trading. The shares finally closed 18 per cent down on Wednesday's close and about 30 per cent below its level at the end of last week, before Sig Calvi's disappearance was known.

The market declined 4 per cent yesterday, continuing a steep descent which began on Monday.

Sig Calvi, a controversial figure who had built up the bank to be one of the most profitable in Italy, was last seen in Rome last Thursday.

Speculation as to the reason for his departure has concentrated on the fact that he was under increasing pressure from the Bank of Italy to disclose and regularise the bank's overseas shareholdings. He was also due to appear in court next week for the hearing of his appeal against his sentence last year to four year's imprisonment on currency offences charges.

The board said it took the decision to ask for the appointment of a commissioner to end "the uncertainty and perplexities" of shareholders and customers in the bank. The Bank of Italy had previously resisted the idea of appointing a commissioner on the grounds that the bank was finacially solid.

The appointment of a commissioner would mean the dissolution of the board and of its powers.

Improvement at Woolworth

By Our Financial Staff

F. W. WOOLWORTH expects a much greater gain in speciality store operating profits this year than the 9 per cent increase of 1981.

Mr Richard Anderson, president, said the company expects its specialty stores to produce over 40 per cent of total operating profits in 1982, compared with 37 per cent last year.

Net profits last year were nearly halved to $58m while the first quarter this year produced a net loss of $16m or 56 cents a share.

United Technologies is building for the future

BY PAUL BETTS IN NEW YORK

MR HARRY GRAY, chairman of United Technologies who has turned the company into a $13.7bn conglomerate in the last eight years, likes to point these days to a building under construction right under the nose of his headquarters in Hartford, Connecticut.

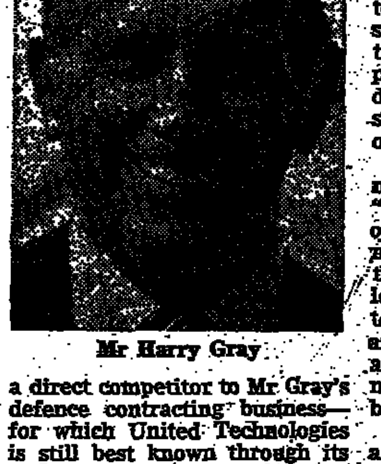
It goes by the name of the CityPlace complex. With 38 storeys, it will be the tallest building in the city. But more significant, it is what Mr Gray calls "the world's first intelligent building."

CityPlace is already a showplace for the most recent member of the United Technologies group—the business systems group, formed just over a year ago. The idea was to capitalise on the company's strong position in the building industry. Otis, which United Technologies acquired in 1975, makes the group the world's largest manufacturer of lifts and escalators. With Carrier, which became a wholly-owned subsidiary in 1979, it is the world's largest producer of heating, ventilating and air conditioning equipment. Its Hamilton Standard division is a leader in the development of energy-management systems, designed to reduce energy costs, improve building operations and integrate a building's service and maintenance activities.

Last bust not least came the acquisition in February last year of Lexar, a telecommunications company owned by Citibank, which developed digital switching and interconnection technology, providing, in Mr Gray's words, "the vital nervous system" for a building.

Added together, these operations accounted for $3.7bn of the group's $13.7bn sales last year. By grouping all these operations together into its building systems sector, United technologies has developed a novel systems approach to the construction industry. It can offer in a single package lighting, heating, ventilation, air conditioning, lifts, fire and security, and telecommunications. The CityPlace complex is the systems approach theory put into practice.

The company has gone one step further to strengthen its position as a supplier of total systems to the building industry. Last Tuesday, it announced it was acquiring for $100m a major slice of the telecommunications business of General Dynamics, the large U.S. defence contractor. General Dynamics is



Mr Harry Gray

a direct competitor to Mr Gray's defence contracting business—for which United Technologies is still best known through its ownership of Pratt and Whitney, the aircraft engine maker, and Sikorsky Aircraft, the helicopter builder.

The businesses United Technologies plans to buy from General Dynamics are three telecommunications divisions, including General Dynamics Communications, which sells telephone systems for companies, and two divisions of Stromberg-Carlson which manufacture telephone switching systems.

Telecommunications had proved a disappointment for General Dynamics, consistently losing it money, and presenting it with a choice either of pumping in more funds and broadening the base of its business, or selling out and concentrating on its main business—defence.

United Technologies, on the other hand, has been adopting a somewhat different approach. Its defence business has grown to the point where it was second only to McDonnell Douglas and actully ahead of General Dynamics in the number of prime contracts it won last year. Ithas also sought to reduce its dependence on the cyclical defence business.

The building systems group is part of this broad strategy to expand into new commercial sectors and the latest acquisition is in turn part of the company's strategy to become a dominant force in providing systems for the office buildings of the future.

United Technologies says the main reason for the acquisition, "is to support and help expand our building automation business." Building automation is the company United Technologies formed in May last year to provide electronic control and energy management systems and telecommunications technology for the construction business.

Yet the main purpose of the acquisitions appears to be in building systems rather than in general telecommunications. This has become one of the hottest and most fiercely competitive of markets since the deregulation of the telecommunications industry in the U.S.

United Technologies is also marketing its building systems concept in international markets. It is working on one of its "intelligent buildings" at La Defense; the complex of modern office buildings in western Paris which the French appropriately call "Little Manhattan."

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which will be published next on Tuesday July 13.

Closing prices on June 17

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aetna Life 15 86/97 ...	150	99¾	100¼	−0½	−0½	14.99
Amax Int. Fin. 16½ 92	75	99	99½	−0½	−2½	16.37
Amax O/S Fin. 14¾ 89	75	94¾	95¼	−0½	−1	15.45
APS Fin. Co. 16¼ 89 ...	75	99¾	100¼	−0½	−0¾	16.21
ATT 14¼ 89 ...	400	100¾	100¼	−0¼	0	14.06
Baker Int. Fin. 0.0 92	225	24¾	25¼	−0¾	−1½	15.32
BHP Finance 14¾ 89 ...	150	95¾	96¼	−0½	−1½	15.75
Bk. Amer. NT SA 12 87	200	89¾	90¼	−0½	−1	15.06
Bk. Montreal 14½ 87 ...	100	96¾	97¼	−0½	+0¼	15.36
Bque. Indo Suez 15 89	100	95¾	96¼	−0½	−1½	15.94
British Col. Hyd. 14¾ 89	200	97¾	98¼	−0¼	−0½	15.24
Burroughs Int. 15¾ 88	50	100¾	100¼	−0¼	−1	15.59
Canadair 15½ 87	150	99¾	99¾	−0½	−0½	15.69
Canadian Pac. 14¾ 92	75	95¾	96¼	−0½	−0½	15.45
Carolina Power 16½ 89	60	100¾	101¼	−0½	−0½	16.21
CIBC 16 87	100	99¾	100¼	−0½	−0½	15.89
Citicorp O/S 15 84/92	100	99	99½	−0½	−0½	15.40
Citicorp O/S 15½ 85/97	125	99¾	100¼	−0½	+0¼	15.33
CNA 15¾ 97	75	97¾	98¼	−0½	−1½	16.17
Con. Illinois 15¾ 89 ...	100	100¾	100¾	−0½	−0½	15.60
Duke Pwr. O/S 15½ 89	60	97½	98	−0½	−1½	16.02
Dupont O/S Cap. 0.0 90	300	34	34½	−0½	−1½	15.03
ECSC 14¾ 87	50	96¾	97¼	−0½	−1½	15.63
EIB 15½ 89	150	98¾	99¼	−0½	−0½	15.67
Ekspotfinans 14½ 89 ...	50	95	95½	−0½	−1½	15.65
Gen. Elec. Credit 0.0 92	400	26¾	26¾	−0½	−0½	14.73
Gen. Elec. Credit 0.0 93	400	22¾	23½	−1½	−1½	14.77
Getty Oil Int. 14 89 ...	125	96	96½	−0½	−0½	14.88
GMAC O/S Fin. 16 88	150	100	100½	0	−0½	15.86
GMAC O/S 15¾ 85/97	100	97¾	98¼	−0½	−0½	16.11
GMAC O/S Fin. 15 89	125	96	96½	−0½	−0½	15.91
GMAC O/S Fin. 15 87	100	97½	97½	−0½	+0½	15.70
Gulf Canada Ltd 14¾ 92	100	96¾	97¼	−0½	−1½	15.30
Gulf Oil 14¾ 94	175	97¾	97¾	−0½	−0½	14.68
Gulf Oil Fin. 0.0 92 ...	300	26	26½	−0½	−0½	14.77
Gulf States O/S 16 90	60	96¾	97¾	−0½	−1½	16.64
Int-Am. Dv. Bk. 15¾ 87	55	97	97½	−0½	−1½	15.83
Japan Dev. Bk. 15½ 87	50	101¾	101¾	−0½	−0½	14.99
New Brunswick 16¾ 89	75	100¾	101¼	0	−0½	15.97
Ontario Hydro 14¾ 89...	150	98¾	99¼	−0½	−0½	15.00
Pac. Gas & El. 15¾ 89	80	101½	102	−0½	−0½	15.24
Pac. Gas & El. 15½ 89	45	100¾	100¾	−0½	−0½	15.36
J. C. Penney Gl. 0.0 94	350	19¾	20¼	−0½	−0½	14.78
Phillips Petrol 14 89 ...	200	94¾	94¾	−0½	−0½	15.35
R.J. Rynlds. O/S 0.0 92	400	25½	26	−0½	−0½	15.06
Saskatchewan 16 89 ...	125	100¾	101¼	−0½	−0½	15.69
Shell Canada 14¾ 92 ...	125	96¾	97¼	−0½	−0½	14.88
Spain 15¾ 87	100	99	99½	−0½	−0½	15.93
Superior O/S Fin. 14 89	125	93¾	94¾	−0½	−0½	15.49
Swed. Exp. Cr. 15¾ 89	100	97¾	98¼	−0½	−0½	16.73
Swed. Exp. Cr. 14¾ 90	100	95¾	95¾	−0½	−0½	15.79
Swed. Exp. Cr. 0.0 94	200	18¾	18¾	−1½	−1½	15.04
Unipn Carbide 14¾ 89	150	97½	98	−0½	−0½	15.27
Wells Fargo I. F. 15 87	75	97¾	98¼	−0½	−0½	15.56
World Bank 15¾ 88 ...	250	98¾	99¼	−0½	−0½	15.43
World Bank 14¾ 87 ...	500	95¾	95¾	−0½	−0½	15.56

Average price changes... on day −½ on week −0½

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 9¾ 92	150	*98¾	99¼	−0¼	+0¼	9.40
Australia 9¾ 91	300	*102¼	102¾	0	−0¼	8.96
Australia 9¾ 91	200	*102¼	102¾	−0¼	−0¼	8.93
Barclays O/S In. 8¾ 94	100	*95¾	95¾	+0¼	−0¼	9.02
Canada 8½ 89	200	*100½	101	+0¼	0	8.34
Comp. Tel. Esp. 10½ 92	100	*99¾	100¾	0	−0¼	10.46
Cred. Foncier 8¾ 92 ...	100	*96	96½	0	−0¼	9.34
Denmark 10 88	100	*100¾	101¼	0	0	9.80
Denmark 10¾ 92	100	*101¾	102¼	0	+0¼	9.78
EDF 9¾ 92	100	*100	100½	−0¼	−0¼	9.82
EEC 9¾ 94	200	*101¾	102¼	−0¼	−0¼	9.42
EIB 8¾ 92	100	*96	96½	0	−0¼	9.12
Int.-Am. Dev. Bk. 9 92	150	*97¾	98¼	−0¼	−0¼	9.31
Ireland 10¾ 86	100	*101¾	101¾	−0¼	−0¼	9.66
Nacnl. Financiera 11 90	150	*98	99¼	0	−0¼	11.33
Nat. West. 9¾ 92	100	*102¾	103¼	−0¼	−0¼	9.35
OKB 9¾ 86	150	*101	101¾	−0¼	−0¼	9.43
Philip Morris 8¾ 90 ...	100	*99¾	100	+0¼	0	8.29
Quebec 10¾ 92	150	*102¾	103¼	−0¼	−0¼	9.64
Renfe 10 92	50	*99¾	99¾	0	−0¼	10.08
Tauernautobahn 9¾ 94	50	*101¾	102	0	−0¼	9.61
World Bank 9¾ 88	100	*101¾	102¼	−0¼	−0¼	9.10
World Bank 8½ 92	200	*95¾	96¼	+6¼	−1¼	9.17

Average price changes... On day 0 on week −0½

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Air Canada 6¾ 92	100	100	100¼	−0¼	−0¼	6.23
Asian Dev. Bank 7 92...	100	100¾	100¾	−0¼	+0¼	6.94
Aucalsa 7¾ 92	80	97	97¼	−0¼	−0½	8.18
Australia 6½ 92	100	102	102¼	−1½	−0½	6.22
Cse. Nat. l'Energie 7 92	100	101	101¼	−1	+0¼	6.84
CFE-Mexico 8¾ 92	60	98	98½	−0¼	0	8.61
Co-op. Denmark 8¾ 92	25	104¾	104¾	−0½	+0¼	7.67
Crown Zellrbch. 6¾ 92	100	95¾	96¼	−4¼	−4¾	7.31
Europarat 7¾ 92	100	100	100¼	−0¼	−0¼	7.19
First City Fin. 8¾ 92...	25	102	102¼	−0¼	−0¼	7.92
Ind. Fund Finland 6¾ 92	30	98¾	98¾	+0¼	+0¼	6.96
Kobe City 6¾ 92	100	99¾	99¾	−0¼	−0¼	6.21
Kommunlans 7¾ 92	35	100¾	100¾	−0¼	+0¼	7.16
Manitoba 7 92	100	104	104½	−0¼	−0¼	6.39
Mitsui OSK 6½ 92	100	99	99¼	−0¼	−0¼	6.58
National Pwr. Co. 8 92	30	102¾	103	−0¼	−0¼	7.56
Nippon T. and T. 6¾ 92	100	102	102½	+0¼	0	6.30
OKB 7¾ 92	100	104	104¼	0	+0¼	7.14
Ost. Postspar 7¾ 92 ...	100	102¼	102¾	−0¼	+0¼	7.11
Philip Morris 6¾ 92 ...	100	101¼	102	−1	−1¼	6.36
Philip Morris 6¾ 94 ...	100	100¾	100¾	−0¼	+0¼	6.17
Quebec 7¾ 92	100	104¾	104¾	−0¼	−0¼	6.74
Renfe 7¾ 92	80	99	99¾	0	+0¼	7.88
Sekisui Pre. 5¾ 92 WW	70	102¾	102¾	−1¼	−0¼	5.40
Soc. Lux. de Cnt. 8¾ 92	80	106¾	106¾	−0¼	+1	7.03
Vorarlberg Kraft 6¾ 92	50	100¾	101¼	−1¼	−1¼	6.62

Average price changes... On day −0½ on week −0½

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 8¾ 91...	15	99	100	0	−0½	8.32
Int.-Amer. Dev. 8¾ 91	15	101¾	102¼	0	0	8.58
Japan Airlines 7¾ 87...	9	95¾	96¾	0	−0¾	8.90
New Zealand 8¾ 87 ...	15	99¾	100¾	−0¾	−0¾	8.47
World Bank 8¾ 92 ...	20	99¾	99¾	0	−0¾	8.56

Average price changes... On day 0 on week −0½

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 16 89 C$...	100	†96½	97	+0½	+1½	16.76
Can. Pac. S. 16¾ 89 C$	50	†98¾	98¾	0	+0¾	16.71
Crd. Foncier 17¾ 89 C$	30	†99¾	99¾	0	+0¾	17.22
Hudson Bay 17 89 C$...	40	†98½	99	0	+0¾	17.29
Q. Hyd. 16½ 89 (My) C$	50	†99	99½	−0½	+0¾	16.67
Quebec Prov. 16½ 89 C$	50	†98¾	99¾	0	−0¾	16.69
Simpsons 16¾ 89 C$ ...	40	†95¾	95¾	−0½	−0½	17.90
U. Bk. Nwy. 9½ 90 EUA	18	88½	89¾	0	−0¾	11.69
Amro Bank 10 87 Fl...	150	99¾	99¾	+0¼	+0¾	10.12
Bk. Mees & H. 10 87 Fl	75	98¾	99¾	+0¼	+0¾	10.26
Eurofima 10½ 89 Fl	50	100	100½	0	−0¾	10.43
Ireland 10½ 87 Fl	75	98¾	99¾	+0¼	+0¾	10.77
Phil. Lamps 10¾ 87 Fl...	100	100	100½	+0¼	+0¾	10.16
World Bank 10 87 Fl ...	150	98¾	98¾	+0¼	+0¾	10.40
OKB 14 86 FFr	400	93½	94½	0	+1½	16.21
Solvay et C. 14¾ 86 FFr	200	92¾	93½	0	+0¾	17.36
Acona 14 85 £	20	95¾	96¾	0	−0¾	15.38
Beneficial 14¾ 90 £ (D)	20	89¾	90¾	0	−0¾	16.49
BNP 13½ 91 £	15	93¾	94¾	0	0	14.70
CECA 13½ 88 £	20	95½	96½	0	+0¾	14.45
Fin. Ex. Cred. 13¾ 86 £	15	96	97	0	−0¾	14.97
Gen. Elec. Co. 12¾ 89 £	50	92½	93½	0	−0¾	14.15
Hiram Walker 14¾ 86 £	25	97½	98¾	0	0	14.79
Privatbanken 14½ 88 £	12	94¾	95¾	+0¼	+0½	15.73
Quebec 15½ 87 £......	35	101½	102½	−0½	−0½	14.80
Reed (Nd) NV 16¾ 89 £	25	103¾	104¾	−0½	−0¾	15.62
Royal Trustco 14 86 £...	12	97¾	98½	−0½	−0¾	14.62
SDR France 15½ 92 £...	30	99¾	100¾	0	−0¾	15.41
Swed. Ex. Cr. 13¾ 86 £	20	96¾	97¾	−0½	−1	14.65
Eurofima 10½ 87 LuxFr	500	95¾	96½	0	0	11.51
EIB 9¾ 88 LuxFr	600	91¾	92¾	0	−0½	11.81

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish 5¼ 92	0¼	98¾	98¾	15/10	15.69	15.95
Bank of Montreal 5¼ 91	0¼	98¾	99	29/10	15½	15.32
Bk. of Tokyo 5¼ 91 (D)	0¼	98¾	99¾	8/12	15¾	15.42
Bk. Nova Scotia 5¼ 93	0¼	98¾	99¾	29/10	15½	15.28
BFCE 5¼ 88	0¼	98¾	99¾	28/10	15	15.15
BFCE 5¼ 87	0¼	99¾	99¾	27/7	16¾	16.33
Caisse Nat. Tele. 5¼ 90	0¼	99	99½	21/10	15¾	15.87
CCCE 5¼ 2002	0¼	98¾	98¾	11/12	15¾	15.63
Co-Ban Eurofin 5½ 91...	0¼	98¾	99¾	14/10	16	16.14
Credit Agricole 5¼ 97...	0¼	99	99½	24/9	15.44	15.55
Credit Lyonnais 5¼ 97...	0¼	99¾	99¾	1/10	16	16.10
Credit Nat. 5¼ 94	§0¼	98¾	98¾	9/9	14.69	14.91
Denmark, Kngdm. of 92	0¼	99	99¾	25/8	15.44	15.57
Den Norske Cred. 5½ 93	0¼	97¾	98¾	4/12	15	15.31
Ind. Bank Japan 5¼ 88	0¼	99¾	99¾	12/11	14½	14.65
Ireland 5¼ 89/94	0¼	98¾	99	25/11	14¾	14.94
Kansallis Osake 5½ 92	0¼	99	99½	6/11	15.31	15.43
Lloyds Eurofin 5¼ 93 ...	§0¼	99	99½	29/10	17½	17.25
Long Term Cred. 5¼ 92	0¼	98¾	98¾	29/11	14¾	14.85
J. P. Morgan 5¼ 97......	§0¼	98½	99	12/8	14¾	14.81
Nat. West. Fin. 5¼ 91...	§0¼	99	99½	16/7	15.19	15.30
New Zealand 5¼ 87......	0½	99¾	99¾	7/10	15.56	15.66
Nippon Credit 5¼ 90 ...	0½	99	99½	10/8	16.06	16.18
Offshore Mining 5¼ 91	0¼	98¾	99¾	2/12	14.19	14.35
PKbanken 5 91......	0¼	98¾	99¾	17/6	14¾	14.50
Scotland Int. 5¼ 92......	0¼	98¾	99	23/9	15¾	15.57
Sec. Pacific 5¼ 91	0¼	99¾	99¾	24/11	15	15.09
Societe Generale 5¼ 95	0¼	99	99½	1/9	15.31	15.43
Standard Chart. 5¼ 91	0¼	98½	99	18/11	14¾	15.06
Sumitomo Fin. 5½ 88...	0¼	99¾	99¾	9/8	16	16.10
Sweden 5¼ 89	0¼	99	99½	26/8	15.31	15.43
Toronto Domin'n 5¼ 92	0¼	98¾	99¾	11/8	16¾	16.54

Average price changes... On day −0½ on week −0½

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 5¼ 96	7/81	933	78½	80	−1¼	0.96
Bow Valley Inv. 8 95 ...	4/81	23.12	98½	100	−0½	84.88
Bridgestone Tire 5½ 96	3/82	470	81¾	82¾	−0¾	−1.89
Canon 6¾ 95	1/81	829	82	84	−0½	5.13
Daiwa Secs. 5½ 96......	12/81	513.3	†62	64	−0½	2.47
Fujitsu-Fanuc 4½ 96......	10/81	5641.	79¾	81½	−1¼	10.81
Furukawa Elec. 5¼ 96...	7/81	300	88	89	0	−2.98
Hanson O/S Fin. 9¾ 96	8/81	1.36	†93	94	0	−8.57
Hitachi Cable 5¼ 96......	2/82	515	82¾	83¾	−1½	0.74
Hitachi Cred. Cpn. 5 96	7/81	1612	74	76	+0¼	7.39
Honda Motor 5½ 97......	3/82	841	80½	82	+0½	3.30
Inchcape 8 95	2/81	4.55	†56	58	−3¼	19.46
Kawasaki 5¼ 96	9/81	229	59½	61¾	+1¼	8.69
Marui 6 96......	7/81	846.4	98¾	100¾	0	6.11
Minolta Camera 5 96...	10/81	826.4	58	59½	−0½	23.97
Minorco 9¾ 97	5/82	8.16	†78½	80½	−4¾	36.06
Murata 5¼ 96	7/81	2168.	66¾	67¾	0	16.25
NKK 6½ 96......	7/81	188	69	70½	+1	−25.64
Nippon Chemi-C. 5 91...	10/81	919	62	64	0	21.00
Nippon Electric 5¼ 97...	2/82	846	89¾	90¾	+1¼	7.47
Orient Finance 5¼ 97 ...	3/82	1205.	86¾	87¾	−1¾	8.52
Sanyo Electric 5 96......	10/81	652	64	65¾	−0½	10.81
Sumitomo Elec. 5½ 97...	3/82	577.3	84¾	86¾	+1¾	7.18
Sumitomo Met. 5¼ 96......	10/81	296.1	62¾	63¾	+0¼	41.76
Swiss Bk. Cpn. 6¾ 90...	9/80	191	72	74	−0½	28.35
Konishiroku 6 90 DM ...	2/82	585	99½	100½	−1¾	7.40
Mitsubishi H. 6 89 DM	2/82	263	89¾	90¾	−0¾	23.32

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Swiss bank prosecutes currency dealers

By John Wicks in Zurich

A GROUP of foreign-exchange dealers working for a number of Swiss banks face prosecution on charges brought by Credit Suisse, one of the big three commercial banks in Switzerland.

The dealers are alleged to have been guilty of offences on the grounds of what the Swiss Penal Code calls "disloyal management." Credit Suisse has itself dismissed two dealers.

Two other men involved in the charges had worked for the Zurich-based bank, Lambsa and Kimche, which was absorbed into the Union Bank of Switzerland in 1980. The bank said yesterday that the offences appear to have taken place before the acquisition.

For its part, Credit Suisse said the alleged operations would not result "in any current losses." No clients' funds are involved in the alleged irregularities, which are believed to have consisted of dealers conspiring to trade on their own account, skimming off sums resulting from the use of incorrect exchange rates and using so-called "time lag" techniques.

Kuehne and Nagel back to dividends

By Our Zurich Correspondent

KUEHNE AND NAGEL, the international forwarding agent which is half-owned by the Lonrho group, reports a net profit of DM 16.4m ($6.7m) for 1981.

The performance is described as "very positive" in the face of world economic recession. It compares with profits in 1980 of DM 17.7m which included DM 6.7m rising from asset disposals.

The central group holding company, Kuehne and Nagel International, is to pay a 6 per cent dividend, its first since 1977, from net profits of SwFr 3m ($1.4m).

Turnover was up by 5.8 per cent last year to DM 4.088bn, making Kuehne the world's third biggest forwarding agent. Of this total, 41 per cent was accounted for by the German division, 36 per cent by the international division in Switzerland and the remainder by the western hemisphere group based on a British Virgin Islands Holding Company.

The partnership with Lonrho has proved a success, according to Mr Klaus-Michael Kuehne, the joint chief executive. Lonrho is helping the group in the development of business in the UK, Africa and Mexico.

For 1982, Mr Bruno Salzmann, finance director, said that consolidated earnings should be at least maintained.

Usinor cuts workforce by 4,000 after heavy losses

BY TERRY DODSWORTH IN PARIS

USINOR, the largest of France's two nationalised steel companies, plans to make about 4,000 of its 33,000 workers redundant over the next four years as part of the recently-announced Government-backed reorganisation of the industry.

Unions have been told by M Raymond Levy, the new chairman brought in by the Socialist Government after nationalisation, that no-one will "find himself on the street" as a result of the measures. But after several months reflection he has come out with a survival scheme which is heavily dependent on the productivity gains to be achieved by the combination of new investment and job reductions.

The Usinor plans follow the announcement of group losses of FFr 3.9bn ($582m) for 1981, and indications that this year's deficit could exceed FFr 1bn unless there is an unexpected upturn in the market. Sales of steel last year dropped to 8.5m tonnes against 9.1m in 1980, while turnover rose only marginally from FFr 17bn to FFr 17.6bn.

Against this background, the Government is to inject about FFr 8bn to FFr 9bn into the company for investment purposes. Over the period up to the end of 1985, when the European industry has agreed to end State subsidies in the industry, the company will be aiming to concentrate its spending on its coastal sites at Dunkirk, on the Channel and Fos, near Marseilles, at the expense of its ageing inland plants.

The choice of Dunkirk and Fos means that the bulk of the planned cuts will come once again in Denain, in the north of France, and Longwy, in Lorrain. Both of these steel towns were heavily hit over the last four years during the previous slimming plan for the industry launched by the last Government.

While the unions were clearly expressing some reserves about the redundancy scheme yesterday, M Levy said that cuts could be achieved either through early retirement plans or by the creation of alternative employment. The Government has already set aside FFr 250m for Usinor to establish new industry around the closed plants.

The coastal site strategy emphasises Usinor's aim of developing its export markets. At the same time, it illustrates the company's ambition to expand its special steels activities. The dunes site at Dunkirk, acquired by the group a year ago from Creusot Loire, is being earmarked for some of this investment.

Aircraft sales bring sharp rise in KLM profits

BY OUR FINANCIAL STAFF

KLM, the Dutch airline, reports a net profit of Fl 32m ($11.9m) for the year ended March 1982. The result reflects the sale of aircraft and compares with profits a year earlier of Fl 11m.

At the per share level, profits were Fl 8.06, up from Fl 2.79 in 1980-81. KLM plans to put the whole of the year's profits into its reserves.

KLM experienced lower operating earnings, but realised gains on the sale of fixed assets and the balance of miscellaneous income and expenses more than restored the balance.

Operating costs advanced by 22 per cent while operating income advanced by 21 per cent relative to a year earlier. Net interest costs were Fl 25m against Fl 37m previously.

Sales of fixed assets provided Fl 16m; against Fl 2m.

Downturn at Fred Olsen

BY FAY GJESTER IN OSLO

HEAVIER financing charges and reduced profits from ship and rig sales, have led to a decline in 1981 profits for Fred Olsen, the Norwegian shipping group.

Before allocations, profits tumbled to NKr 3.4m ($550,000) from NKr 69.2m despite a rise in operating profits resulting from buoyant earnings from offshore work. The dividend is being held at 12 per cent.

The group's drilling rigs (four under the Norwegian flag and one U Kregistered) made a significant contribution to profits. All are currently employed on long-term charters "at profitable rates."

The company says 1981 was not, on the whole, a good year for liner services. In the North Sea passenger trade, the pool arrangement with BDS (Bergen Steamship Company) was terminated at the end of the summer season.

Increase in Henkel sales

BY JAMES BUCHAN IN BONN

HENKEL, THE West German chemicals and detergents group, has recorded a 10 per cent increase in group sales so far this year. In 1981, the privately-owned group saw a hefty 15 per cent increase in worldwide sales to DM 8.8bn ($3.6bn) and expects no great change in market conditions for 1982 as a whole.

Despite a 1 per cent drop last year in the market for washing products in West Germany, where Henkel's Persil is a market leader, the group recorded a 5 per cent increase in domestic sales while foreign sales rose by over a quarter.

Foreign sales last year amounted to 62 per cent of the group total, up from 58 per cent in 1980.

The West German parent group recorded net earnings of DM 85m on sales of DM 4.6bn.

Norpipe stages steady growth

BY OUR FINANCIAL STAFF

NORPIPE, the Norwegian company which operates two major North Sea pipelines, reports an increase of 11 per cent in net earnings to NKr 238m ($38.5m) for 1981.

Total revenue rose by 16 per cent to NKr 3.2bn with the group's pipelines handling about 30.5m tonnes of oil equivalents during the year in crude oil, natural gas and natural gas liquids.

Norpipe, which is a joint venture between Statoil and Phillips Petroleum, pumps gas to West Germany and oil to the UK. Its operating revenues increased by close to a fifth last year, but operating expenses were sharply higher and so too was the charge for depreciation.

Operating expenses rose to NKr 356m from NKr 255m. As a result, operating profits were just 8 per cent higher at NKr 992m.

Output from the various fields in the Ekofisk area will decline in the coming years with a resulting increase in spare capacity. Various alternatives for utilisation of pipeline systems are being considered, the company says.

Agreements have been entered with the Amoco-Noco group for transportation of petroleum from the initial Valhall field development. Operation of this field is expected towards the end of 1982.

The company has also concluded preliminary agreements with licensees of the Statfjord, Heimdal and Gullfaks fields of natural gas, and with BP for pumping petroleum from the Ula field.

Total investments by Norpipe at the end of 1981 were NKr 9.97bn.

During the year the equivalent of NKr 1.03bn of long term debt was repaid.

Two buyers for Ottoman Bank

BY METIN MUNIR IN ANKARA

TWO PROSPECTIVE purchasers have emerged for the extensive Turkish branch network of the Istanbul-registered but wholly foreign-owned Ottoman Bank.

The prospective purchasers are the Navy Foundation of Turkey, controlled by the Turkish armed forces and Mr Kamil Yazici, a prominent industrialist who owns Anadolu Holding.

The bank, which by agreement with the Turkish Government is treated under Turkish law as a foreign bank operating in Turkey but has leading British and French bankers on its board, told its shareholders in London earlier this month that it was planning to hive-off its Turkish branch network as a separate company.

The shareholders were told that the bank planned to transform its branch network in Turkey "into a bank under Turkish law in which Turkish investors would hold a majority of the capital" with Ottoman retaining a "substantial minority."

Details of the negotiations and the conditions of the projected deal are being kept a secret. However, it is understood that the management wants to retain a substantial portion of equity, probably around 40 per cent.

Mr Kaya Erdem, the Turkish Minister of Finance, said that he was aware of the latest moves by the two Turkish groups to obtain control of the Ottoman Bank. He said that as long as the acquisition took place within the framework of the banking law and subsequent decrees governing the sector, he would have no objection to the takeover by the foundation and Mr Yazici or any others.

The Ottoman Bank, a relic of an empire which has in recent years been the subject of controversy over the size of its hidden reserves, was created by a Royal Ottoman Firman (edict) in 1863.

The original shares were owned by British and French interests and are currently quoted on the London, Paris and Istanbul stock market. Some 40 per cent are believed to be held by Banque de Paris et des Pays-Bas (Paribas) with the remainder widely held.

The Ottoman Bank, then called the Imperial Ottoman Bank, was the bank of issue on the Ottoman Empire and also thrived as a commercial bank. It had branches throughout the empire including Saudi Arabia, the Lebanon, Syria, and the Gulf. It also had branches in Sudan, Kenya, Uganda, Tanzania, Rhodesia, Cyprus, Jersey and Switzerland.

It stopped being a bank of issue in Turkey after the Republic was declared in 1923. In Egypt it was nationalised by Nasser and in Saudi Arabia it was closed after the first world war when the management refused to accede to the Saudi wish that it change its name.

In the Sixties the Ottoman bank took a policy decision to merge with other banks wherever convenient or dispose of its branches. In 1969 all branches other than those in Turkey were sold to Grindlays Bank.

The bank is managed from London and Paris and has an issued share capital of £10m of which half is paid up. There is currently a representative office in London and an inactive branch in Paris. Ottoman has two major subsidiaries: Plagefin, registered in Luxembourg and Tourizm ve Otelcilik, registered in Turkey.

Since 1969 when the bank's management decided to sell a majority of shares to others to make the bank Turkish and thus allow it to grow, negotiations have been held with a large number of Turkish groups and some foreign banks. For a variety of reasons none of these negotiations came to fruition.

Sony's first-half net profits reduced by inventory write-down

BY OUR TOKYO STAFF

SONY, the major Japanese consumer electronics company, has reported brisk growth in parent company profits for the first half but group earnings have been dragged down by its 72 consolidated subsidiaries.

Group net earnings or the six months ended April 30 fell 6.3 per cent to Y32.34bn ($130m) despite a 7.1 per cent rise in group sales to Y545.84bn ($2.18bn).

First quarter group net had risen by 4.9 per cent. The company blamed the second quarter fall of 22 per cent to Y11.44bn in part on a higher write down of excess inventories, particularly of audio products. Audio sales are weak because of the recession in the U.S. and Europe and because some consumers are deferring purchases until digital technology products are launched soon.

In addition, the group suffered a first-half foreign exchange loss of Y2.97bn against a year earlier gain of Y3.72bn. Second quarter interest charges were Y10.5bn, up from Y6.56bn a year earlier.

The company also encountered higher depreciation charges resulting from increased capital investment and research and development expenditures.

Parent company net profits rose 15.5 per cent to Y24.26bn on sales of 23.6 per cent to Y446.2bn. Operating profits rose 30.5 per cent to Y50.02bn.

Sony increased its half-year dividend by Y4.50 to Y22 a share.

First half domestic sales declined by 10.5 per cent to account for 27 per cent of total turnover. Helped by buoyant sales in the U.S. and Europe, centring on video tape recorders (VTRs), overseas sales rose by 15.5 per cent to account for 73 per cent of the total sales.

Sales of video products such as VTRs and VTR tapes rose by 37.7 per cent to account for 42.4 per cent of total turnover. In the first half, Sony sold 1m VTRs, of which overseas sales accounted for 75 per cent. The company is confident of selling 2.3m sets in the full year.

Sales of audio equipment fell by 14.9 per cent to account for 23.8 per cent of total sales, despite buoyant sales of Walkman portable stereoplayers. Sony plans to sell 3m Walkman sets in the current year, against last year's 2.3m. Affected by intensified sales competition in colour televisions in the domestic market, sales of TV sets declined by 7 per cent to account for 23 per cent of total turnover.

The company sold 1.2m TV sets in the first half and plans to sell 2.6m in the full year, the same level as the previous year.

In the full year ending October 31, Sony forecasts a rise in consolidated sales of 10 per cent to 15 per cent.

The company's inventory of audio equipments has returned to the normal levels, thanks to the drastic adjustments conducted in the first half of the year. A sizeable contribution is expected from new digital audio equipments, which is to be introduced this October.

Matsushita and IBM in talks on joint venture

By Richard C. Hanson in Tokyo

JAPAN'S LARGEST home electronics maker, Matsushita Electric Industrial, is negotiating with IBM, the U.S. computer group, on a number of possible business ties, including a joint venture in personal computers.

The company, however, denied a report that a tentative agreement had already been reached to form a joint venture in Japan to produce and sell personal computers worldwide.

Matsushita emphasised that IBM currently buys various components from it for use in personal computers. The two companies were continuing talks which could expand their business ties.

A joint venture in personal computers would appear to be a logical move. IBM sent shock waves through the small computer industry last year with the introduction of a powerful new series of personal computers, its first major entry into the market. Matsushita is believed to be a major source of components like cathode ray tubes for IBM.

Modest earnings gain at Hitachi

BY YOKO SHIBATA IN TOKYO

HITACHI, a leading Japanese machinery and electronic equipment maker, has reported a modest gain in earnings for the fiscal year ended March 31 helped by strong sales of electronics products such as computers, video tape recorders and semiconductors, particularly in overseas markets.

Consolidated net profits rose by 6 per cent to a record Y137.1bn ($548m) on full-year sales of Y3,698.73bn ($14.8bn), up by 10 per cent. Per share profits for the full year moved to Y50.19, from Y48.66 in the previous year.

Sales of information and communication systems and electronics devices gained by 20 per cent to account for 22 per cent of total turnover, with a 16 per cent gain in domestic sales and a 29 per cent increase in overseas sales.

Sales of consumer products also advanced by 20 per cent to account for 22 per cent of total turnover, helped by buoyant VTR sales centring on overseas markets. VTR sales alone totalled Y200bn, of which overseas sales accounted for 80 per cent.

Hitachi's total overseas sales rose by 26 per cent to account for 28 per cent of total turnover (24 per cent in the previous year).

Stable material cost and recovery in export profitability helped lift operating profits by 12.5 per cent to Y342.2bn. Net profits rose at a slower rate because of higher corporate tax (up by Y7bn) and higher depreciation charges (up by Y23bn).

Research and development expenditure totalled Y159.8bn, representing 4.3 per cent of the total sales. In the current fiscal year, Hitachi envisages R and D spending of Y190bn, up 19 per cent.

In the current fiscal year ending March 1983, Hitachi forecasts 10 per cent growth in consolidated sales, and a 5 per cent gain at least in consolidated net profits, by shifting product mix more to electronics products.

Computer group stock soars

By Our Tokyo Staff

COMPUTER SERVICES, a leading software company, has become the highest priced listed stock in Japan. In its first day of trading on the second section of the Tokyo Stock Exchange, the price of CS leaped a maximum Y500 over its planned launch price to Y5,300 ($21), outpacing Fujitsu Fanuc, a robot maker, which had been the most expensive stock until Wednesday at Y4,450 a share.

In an otherwise gloomy market, investors rushed with orders for more than 4m shares, compared with the 600,000 initially offered yesterday.

United Engineers rights issue

BY GEORGIE LEE IN SINGAPORE

UNITED ENGINEERS, the major engineering group, is to raise S$52.2m (U.S.$24.5m) through a rights issue to reduce heavy finance charges incurred by the group.

The rights issue, which will be made on the basis of one new share for every one held at S$1 a share will double the group's issued capital from S$52.3m to S$113.7m.

Last month United Engineers announced that it incurred a S$21.8m post-tax loss and an extraordinary loss of S$3.4m for the year ended December 1991.

Finance charges incurred by the group amounted to S$10.7m.

The company's directors then said that they believed trading conditions will remain difficult during the current year but results are now expected to be significantly better than those of 1981 and a return to profit is expected in 1983.

The directors forecast dividends for 1982 to be not less than those paid for 1981—that is, one Singapore cent per share.

● A slower second half pulled down earnings of Oriental Holdings, distributor of Honda cars in Malaysia and Singapore, and pre-tax profits for the year ended December 1981 was down by 24 per cent to 44.6m ringgit (US$19.4m).

At the half-year stage, pre-tax profit was 27.3m ringgit, registering a rise of 9 per cent, but earnings collapsed during the second six months due to fierce competition in the car market, resulting in higher stocks and lower margins.

Profit after tax for the year was 25.3m ringgit, a drop of 24 per cent.

Bond takes 9% stake in Grace Brothers

By Our Financial Staff

BOND CORPORATION HOLDINGS (BCH) of Western Australia has taken a 9.2 per cent stake in Grace Brothers Holdings, and is considering a full take-over offer for the Sydney-based retail stores group.

Last week Grace Brothers, one of the country's leading retailers, won the battle for control of Norman Ross Discounts, which operates 40 stores, in a deal which valued Ross at about A$21m (US$21.8m).

The deal was agreed just before Waltons Bond, a property and retail associate of BCH, made an offer in the stock market of A$6.50 a share for Ross against the A$6.02 a share bid from Grace.

Waltons Bond has started legal action against Grace's purchase of the Ross stock.

Grace has 57.67 per cent of Ross' capital while Waltons Bond has 31 per cent.

BCH said its wholly-owned subsidiary, Yanchep Estates, bought the Grace shares. Grace has an issued capital of 47.48m shares, the price of which closed at A$3.05 in Sydney yesterday against A$2.80 a day earlier.

Robert Cottrell examines the complex accountancy practices of two interlocking Hong Kong groups

Land and Jardine jive to the Bogie method

SHAREHOLDERS in Hongkong Land Company represent a fearsomely sophisticated cross-section of the investing public, to judge from their performance at the group's annual meeting yesterday.

For though the 1981 accounts approved at the meeting are of mind-boggling complexity—reflecting the mutual associate status which Land now enjoys with Jardine, Matheson—not one of the 300 or so shareholders present so much as queried the accounting method which seems to inflate somewhat the reported profits.

Auditors Peat, Marwick Mitchell for Land and Price, Waterhouse for Jardine say they used the best way to cope with the mutual association, and certainly, the logic can be followed through to explain a HK$109m contribution to the combined profits.

The distortion of HK$41m is not material in terms of Land's 1981 net profits of HK$1.43bn (US$270m). But Jardines' extra HK$68m represents more than 10 per cent of underlying profits, and this factor is not spelt out in Jardine's accounts. Reported net profits were HK$723m.

While Land and Jardine outlined at the time of their preliminary statements the method devised by Dr Bogie, a Scotsman, which they used to account for Land's 40.2 per cent stake in Jardine, and Jardine's 34.6 per cent stake in Land, more details have since emerged of how the method worked in practice.

The basis of the equity accounting policy adopted was that Land's published profit for 1981 should equal its own profit without any contribution from Jardine plus 40.2 per cent of Jardine's published profit.

Jardines' published profit, meanwhile, should equal its own profit without any contribution from Land, plus 34.6 per cent of Land's published profit.

Following those precepts, which are expressed mathematically as a pair of simultaneous equations, Land showed a published profit after tax for 1981 of HK$1.43bn (US$270m) while Jardines showed a published profit of HK$723m.

Land's profits with no contribution from Jardine were HK$1.14 while Jardine's with no contribution from Land made HK$ 229m. Adding in 40.2 per cent of Jardine's profit takes Land's total up to HK$ 1.23bn, while 34.6 per cent of Land's profit takes Jardine's up to HK$ 623m.

The difference between these profits and the published profits, namely HK$199m in Land's case and HK$100m for Jardine, represents the peculiar effect of the cross-shareholdings—Land's share of Jardine's share of Land's profits, and vice-versa.

The point at which the mathematics comes into its own is in assessing how much of that cross-holding effect is thrown up purely by a compounding process.

To isolate the residual compounding surplus, one must imagine that Jardine's 34.6 per cent associate was not Land, but a third company with a HK$1.14bn profit. Land would then be entitled to 40.2 per cent of 34.6 per cent of that HK$1.14bn, namely HK$158m. Jardine, in the mirror-image of that hypothesis, would be entitled to HK$32m, had Land held its 40.2 per cent stake in a third company.

The next step is to subtract those hypothetical figures—HK$158m and HK$32m—from the actual surpluses recognised by Land and Jardine as a result of the cross-holding. Those recognised surpluses totalled HK$199m and HK$100m, so Land and Jardine respectively have taken into their 1981 accounts profits of HK$41m and HK$68m which exist only as functions of the chosen accounting method.

Arguably, one effect of equity-accounting in general and in this instance in particular is to diminish the importance of the profit-and-loss account as an indicator of performance, and promote the importance of the statement of source and application of funds in which "paper" associate earnings are stripped out from cash-flow.

Still, it is all good business for the accountants. Land's audit fee went up from HK$3m in 1980 to HK$4m in 1981, while Jardine paid out HK$16m.

Commercial Union tackles fresh setback in the U.S.

By Richard Lambert in New York

THESE ARE tense times at Commercial Union, which vies with the Royal to be the biggest composite insurance company in the UK in terms of premiums written. In the past five years, the group has devoted enormous resources to rebuilding its U.S. activities after a major setback in the mid-1970s.

The total such investment by the UK company in terms of new capital and forgone dividends is in the order of $300m.

But at the point when this effort might be expected to be paying off, CU has run into what has become the most severe downturn in long memory in the U.S. insurance industry. In the first quarter of this year, CU's U.S. subsidiary, Commercial Union Corporation, lost $22.6m before tax—and the short term outlook is not bright.

Fundamental choices

CU's problems in the U.S. date back at least 10 years. Mr Howard Ward, president of the American subsidiary, says: "In 1975, we had really two fundamental choices, either to get back into business, or to close up shop."

That year, 1975, spelt disaster for CU, when as a result of its U.S. losses, the whole group lost money before tax—a traumatic experience for a major insurance company. Part of the explanation was a cyclical downturn affecting the whole insurance industry. But CU has problems of its own. The merger with The Employers, through the merger with the Northern Assurance Company of the UK in the late 1960s had brought problems which took a long time to come to the surface; and CU's relations here with its agents had run badly adrift.

The U.S. group installed its first full computer data base in 1975. "When we got to analysing it," Mr Ward says, "we found that 20 per cent of our agents had been doing a bad job for not less than three years and many of them for five years."

When the smoke cleared, it emerged that the U.S. business had been keeping reserves anything up to $150m less than it should. And after waves of agency cancellations, its share of the U.S. insurance market had fallen from around 2 per cent to little more than 1 per cent.

This setback was followed by top management changes in London and Boston, the U.S. headquarters, where Mr Ward and Mr Lawson Swearingen, chairman of the U.S. company, are about the only top level survivors of the pre-1975 days.

"We had to build and train an entire organisation with new skills, new products and new philosophies," Mr Ward says.

The new approach was based on the view that established insurance products were overpriced—for the majority of customers, at least, the good risks were subsidising the bad. CU wanted to set up a system which differentiated between risks, so that the better customers could get a lower price.

"To do that, you have got to have someone who knows the risks and knows the territory," says Mr. Ward. "So we said that the authority for the underwriting had got to go out to the field."

As a result of this drive roughly one third of the group's U.S. business is now being written on the authority of independent agents. There are obvious risks in delegating this amount of power to agents. CU has therefore established a profit-sharing system, whereby agents who bring good business boost their income substantially. It has also established an extensive—and expensive—data processing system to control its agency network.

Its spending on automation is now running at more than $60m a year, and its total investment in data processing and the new marketing programmes has reached roughly $250m.

These costs have been written off in full in CU's consolidated accounts, and have inevitably pushed up expenses to a level far in excess of the U.S. insurance industry average. Expenses as a percentage of premiums hit a peak of 35 per cent in the first half of last year.

The hope had been that these costs would be offset in good part by a reduction in underwriting losses. But although CU's loss experience is better than that of most U.S. companies—its loss ratio ran at 73.5 per cent last year, two points below the industry average—it has not been able to escape the serious downturn in the underwriting cycle. As a result, its combined loss and expense ratio in 1981 was 108.1 per cent—appreciably worse than that for U.S. companies in general.

To get its expenses ratio down, the group needs to win a bigger share of a very competitive market. Mr Ward says: "The advantage of automation is that it stops inflation and enables you to take on a lot more volume. But if you don't get the volume, you've got a problem." As things stand now, CU believes it could handle two or three times its present level of personal lines business without taking on any extra staff.

Last year, CU's premium growth in the U.S. exceeded 22 per cent, compared with only about 3 or 4 per cent for the industry as a whole. Much the fastest rate of increase came in the personal as opposed to commercial classes of business. Since 1978, the growth in premiums written on personal lines has topped 70 per cent, and according to a recent survey of agents by Conning and Co., the insurance analysts, CU's products are currently among the most competitively priced in the U.S.

Frequency ratios

That could bring big trouble, if prices were wrong. But CU points to the stability shown by its frequency ratios for commercial lines during the last four years—suggesting that the quality of its book has been, at the least, maintained. And, although the company appears to have had some worries with its personal motor business last year, it says this line is now back in order.

Mr Ward believes that the U.S. expense ratio should fall to below 30 per cent over the next three or four years, even before taking account of the hoped-for increase in market share. He also thinks that the company is heading for a significant reduction in its losses on personal business, which ran at an unhealthy 13.6 per cent of premiums last year, and he says that the commercial classes are holding up reasonably well.

The U.S. company is optimistic by nature—the text of its latest annual report more or less ignores the grim numbers in the financial statement. Yet its executives are by no means cheerful about the immediate outlook for the U.S. insurance industry.

Mr Howard Ward, president of Commercial Union U.S.

"This is not a normal insurance cycle," argues Mr Ward. He finds the reinsurance market "frightening" at present, and says that although rates have been going up on some personal lines of business, there is no sign of a recovery in the commercial sector, where competition is as cutthroat as ever it has been.

The whole insurance business seems to be going through a period of profound change in the U.S. in which long-established cartels are breaking down, surplus capacity is being shaken out, and expenses are being squeezed by intense competitive pressures.

"In this country, there are two industries that have not rationalised and reduced their distribution costs," says Mr Ward. "One is the commercial banks and the other the property casualty insurance companies. We are now in the process of cleaning up the act in both areas."

For Commercial Union, this is turning out to be a very expensive process, and one which may not yet be complete. As a result of this year's losses, which have been aggravated by exceptionally bad weather conditions in the U.S., the UK parent company may have to put yet another tranche of new equity into its U.S. subsidiary before the rebuilding process is complete.

The consolation is that if the company had not been restructured, it could have been shaken to bits by the tremors that are now rocking the U.S. insurance industry. Mr Ward says: "I would have hated to face today's condition's without having done what we have done."

Independant pig lobby planned

By a Correspondent

BRITAIN'S depressed pig industry is on the threshold of establishing a new independent political lobby. It is doing this because of the growing disillusionment of pig producers with the National Farmers Union, which it sees as ineffectual in representing its interests.

Pig men are especially concerned at the ever-increasing bias in the NFU towards the arable/cereals sector. Pig producers are increasingly angry at the NFU's obsession with keeping out imports of cereal replacer products such as manioc and maize gluten, which to pig producers are valuable cheap feeds.

The vehicle for the new lobby is tipped to be the old National Pig Breeders Association, based in Watford.

The NPBA appointed a new chief executive, Mr Grenville Welsh, a year ago. Mr Welsh had been a respected senior executive with FMC, responsible for negotiating the annual bacon contract. At the time, the appointment was greeted with some surprise, especially as it soon became clear that the NPBA was in serious financial difficulty.

Now the significance of Mr Welsh's move is emerging. A working party defining the future role of the NPBA is due to report its finding later in the summer. Almost certainly the working party will recommend that membership of the association will be thrown open to all pig producers not just pedigree breeders.

Members of the working party say there will be a strong recommendation that the association take a more overtly political role.

It is seen as significant that the new president of the NPBA, from next month, will be Mr George Paul, chief executive of Pauls and Whites, a large pig feed company. Mr Paul is also one of the country's largest commercial pig fatteners.

Ironically, Mr Paul succeeds NFU president Sir Richard Butler as NPBA president.

Mr Paul said this week: "We feel we can add weight to the NFU's voice for the pig industry. There is every reason for us to support the union."

Tin price drops to 5-year low

BY JOHN EDWARDS, COMMODITIES EDITOR

TIN PRICES collapsed to five-year lows on the London Metal Exchange yesterday, as the market came under renewed selling pressure. Cash tin closed £295 down at £5,465 and the three months' quotation lost £345 to £5,577.5 a tonne.

The fall in the tin market reflected renewed fears about the future of the International Tin Agreement, which expires on June 30. It is calculated that the buffer stock of the International Tin Council has now used up almost all the funds, equal to 50,000 tonnes of tin, at its disposal as a result of being forced to buy heavily every day in Penang to maintain the Agreement's "floor" level of 29.15 Malaysian ringitts a kilo.

If Malaysia is successful in its efforts at the Saturday meeting in Kuala Lumpur to persuade Indonesia and Thailand to pull out of the proposed new Tin Agreement, due to start on July 1, and start a producers' association instead, the buffer stock support would be withdrawn.

Even if some sort of compromise can be agreed, it is thought the new Agreement may be greatly weakened, with both the U.S. and Bolivia refusing to join, and many other countries very reluctant members.

Although there is an exceptional situation in tin, the market was also further depressed yesterday by a general decline in both base and precious metals.

Gold fell to a new three-year low of $305.5 a troy ounce, down $11.75 and this unsettled both silver and free market platinum.

The bullion market cash price for silver closed 5.9p down at 304.25p a troy ounce—its lowest level since the end of 1978—and free market platinum dropped by £9.55 to £145.35 a troy ounce. Higher-grade cash copper closed £14 down at a four-year low of £715 a tonne, but rallied in late trading. More North American producers cut their U.S. domestic selling price again, by 1 cent to 66 cents a lb.

NZ lamb futures contract proposed

BY JOHN EDWARDS, COMMODITIES EDITOR

THE INTRODUCTION of a New Zealand lamb futures contract is being studied by the London Wool Terminal Market Association—now renamed London and New Zealand Futures Association—in line with its plans to diversify into other commodities.

It is hoped that the New Zealand lamb contract, to be based on frozen carcasses of export quality grade, will be launched before March 31 next year. The association is also looking at plans for a gold coins futures contract. Proposals to introduce a South American wool futures contract, as a sister market to the existing New Zealand greasy wool market, have been delayed as a result of the Falklands crisis. Argentina is normally a big supplier to the Bradford wool industry.

At the association's annual meeting in London yesterday, applications were approved for eight new "floor" members, registed in New Zealand.

Although turnover in wool futures has increased considerably during the past year, the association is keen to diversify and take advantage of its 24-hour trading concept.

Patricia Newby in Canberra writes: Recent buoyant prices at wool auctions have boosted Australian wool growers' hopes that they may get the lift in the "floor price" they are seeking for next season.

The Wool Council of Australia is seeking a "floor price" of 422 cents a kilo clean for the 1982-83 wool selling season which begins in July. The current floor price is 410c.

U.S. sugar quotas 'temporary'

By Our Commodities Staff

THE U.S. sugar import quota system introduced in May is only a temporary measure to protect American producers against current low world prices, a senior official of the Department of Agriculture said.

Mr William Lesher, assistant secretary for economics in the USDA, said that the sugar price support system would remain until 1985. This period should be "used wisely by the domestic sugar industry to improve its productivity and competitiveness," he said.

According to Mr Lesher, sugar consumption in the U.S. was falling due to competition from corn (Maize) sweeteners. Between 1979 and 1981 white sugar use fell 1m tonnes and a further 200,000 tonnes drop was expected this year. Domestic production was expected to fall between 5 and 10 per cent in 1982-83.

On the London futures market yesterday claims by India that it was withholding white sugar until prices improved were dismissed by some traders as "wishfull thinking" because of the limitations of its storage facilities.

On the London futures market the October position closed at £107.175 a tonne £1.10 above Wednesday's level. In the morning the London daily price was set unchanged at £95 per tonne, at the near, three-year-low level reached on Tuesday.

USSR buys Argentine grains

WASHINGTON — The Soviet Union recently bought between 800,000 and 1m tonnes of Argentine coarse grains for July and August shipment, according to exporters who were involved in making the sales.

They said the sales done by the private trade took place last Thursday and Friday, and appear to be completed.

They were not sure of the mix of the coarse grains purchased, but said about 60 to 70 per cent of the total would be sorghum.

Grain traders in Buenos Aires said yesterday the Soviet Union had not yet resumed buying of Argentine grain.

Reuter

Strawberry season short, but sweet

BY SARA EVANS

WIMBLEDON FANS may take their seats next week with quiet minds. Whatever the antics of McEnroe and Connors, their traditional dish of strawberries and cream are assured.

The sunny warm days, broken only by occasional thunderstorms earlier this month have done nothing but good to the UK soft fruit crops, although some areas suffered an early setback in the winter and spring from which they may only partially recover this season.

Strawberries this year are approaching the peak of a good, if possibly short, season. Growers have warned that if dry weather continues, supplies may peter out by the end of the month instead of lasting into July. Of the 7,547 hectares planted in 1981, the value of output marketed, according to the National Farmers' Union, was £34,800. The acreage last year was down on 1980 plantings of 7,920 hectares, largely because growers, despairing of an "adequate" return on their crop, ploughed under some beds or failed to replant with new stock.

The disastrous frost of May 4 hit some growers hard, especially in the south-eastern areas of Cambridge and West Norfolk, where 75 per cent to 80 per cent of the crop is sold to processors. There the crop is expected to work out at 2 to 3 tons an acre compared with 4½ to 5 in a good season.

Of the total strawberry crop, the NFU gives a rough estimate that 20 per cent to 25 per cent is taken off by Pick Your Own methods, 30 to 35 per cent goes to processing (freezing, canning and jam) and the rest goes to the fresh market.

The raspberry season is just beginning. In 1981, 4,466 hectares were under canes, with an estimated value of £14,000. About half the acerage planted is in Scotland, where most of the crop, centred on the Kingdom of Fife, is taken for processing. Here again, growers are very satisfied with the recent weather. When the showers swelled the berries and the sunny days have ripened the fruit.

A further 2,100 hectares of soft fruit—worth about £10,000 last year are taken up with gooseberries, loganberries and cultivated blackberry varieties. Gooseberries, with an acreage last year of only 1,000 hectares have shown a big drop recently.

Of the 4,260 hectares planted to the blackcurrant harvest, at least 80 per cent is already contracted to processors such as Ribena. Last year the harvest was worth an estimated £10,000.

This month what growers call the June Drop is taking place on time because of the good weather. This is when, during the dry period normally expected in June or July, apple trees, and to some extent plums, shed unfertilised fruitlets. What remains should give an idea of the size of the expected crop.

UK growers report an apple crop "good but not excessive." Figures for the 1980-81 season show dessert apples being worth £37,200, cookers £18,500 and pears £7,400. The May frost affected the Bramley cooking apple orchards badly in the Wisbech area, however.

The apple crop in Europe promises to be one of the highest ever, according to the NFU. UK growers may view this with some dismay, doubtless recalling the upset caused last season by large supplies of French Golden Delicious apples on the market.

The Pick Your Own movement has been steadily growing over the last few years as growers cut back on labour costs in an attempt to stay viable. Mr Mar Hall, chairman of the Farm Shop and Pick Your Own Association expects over 2m people every week will be out harvesting during this season, with about 40 per cent of the total soft fruit crop picked in this way.

FARMER'S VIEWPOINT: AGRICULTURAL PRODUCERS' CONFERENCE

Ideals sacrificed to farm politics

WHEN I attended the first meeting of the International Federation of Agricultural Producers in 1946, it was a heady time for farmers. The world was suffering from starvation and other miseries caused by war. Farmers everywhere felt that time had at last come when their efforts were to be tangibly rewarded after the very lean time most of them had had in the 1930s.

Farmers did really believe, in the euphoria following victory, that they were to be recognised at last as the most important people in the world—something the politicians never ceased telling them.

There was a further meeting of the Federation at Scheveningen in Holland the next year, where the enthusiasm began to wane a little. The British Government had already begun to warn farmers that all-out production might in certain circumstances be a little de trop and that due regard should be taken of the economic factors.

From then on the differences between the farmers of the different countries began to emerge.

The IFAP held its 25th conference in London this week. Its presidency is one of the many collected by Sir Henry Plumb in the course of a long public life.

In his opening address, Sir Henry referred to the conference in Scheveningen, which detailed courses for action for the solution of employment and monetary problems; commodity agreements, free movement of major agricultural products, and other targets, including the avoidance of the disruption of international markets.

It must sound particularly hypocritical for cane-sugar producers to hear a member of the European Parliament, and former chairman of its agricultural committee, deploring interference with national markets, at a time when EEC subsidised sugar is invading every market it can get into. Indeed everything else in Community surplus is being exported.

However, these exports are not designed to fulfil one of the IFAP's original aims that the hungry people of the world secure enough to eat. Apart from a limited amount of food aid all Community surpluses are sold on the most profitable market available.

Nor does Sir Henry say anything about the protectionism rampant in the EEC.

During my travels in recent years the one subject to raise the blood pressure in most developed farming countries outside the EEC, are the iniquities of the Community and the harm it is doing to their markets everywhere.

But there are other causes of dissension. American farmers are in a state of acute frustration. Their prices are low enough anyway and even these are dependent on some form of production control. Yet their Canadian neighbours, to say nothing of the Australians and Argentines, are doing their best to increase the output of grains which they then proceed to sell to markets the Americans once thought to be their own.

The fact that IFAP continues to exist while covering these disparate bedfellows is a measure of its anodyne character.

It should not be condemned out of hand, however. Farmers are conventionally self-centred, their problems being different from most of the rest of society and their contemporaries overseas. By means of its annual conferences and the meeting of conflicting minds, some degree of mutual understanding might develop.

Understanding alone would not butter many parsnips. Only if EEC farmer members voluntarily proposed to restrict, say, sugar production in the interest of the Third World, would it be possible to believe the IFAP meant what its members said in conference. But such miracles seldom happen.

John Cherrington

LONDON OIL SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)		
Arab Light	33.00-33.40	—0.10
Iranian Light	31.50-32.20	—0.40
Arab Heavy	30.50-30.75	—0.28
North Sea (Forties)	34.50-34.75	—0.25
African (Bonny L'ht)	34.90-35.40	......
PRODUCTS—North West Europe ($ per tonne)		
Premium gasoline	360-365	—7.5
Gas oil	280-282	+2.0
Heavy fuel oil	167-171	—0.25

GAS OIL FUTURES

Continuing weakness in the spot market and the strength of the dollar caused a further fall. Short-covering lifted prices from the lows on the close, reports Premier Man.

Month	Yest'day's close	+ or —	Business Done
	$ U.S. per tonne		
June	274.00	—4.50	277.50-74.00
July	279.00	—3.00	280.50-77.75
August	280.50	—3.50	282.25-79.00
Sept.	281.75	—2.25	283.00-80.00
Oct.	285.00	—1.75	285.50-83.00
Nov.	288.00	—1.50	287.00-86.00
Dec.	290.50	—0.50	290.50
Jan.	293.00	......	293.00
Feb.	295.00	—2.00	—

Turnover: 2,927 (1,721) lots of 100 tonnes.

GOLD MARKETS

Gold fell $11¾ to $305-306 in the London bullion market yesterday, the lowest level since August 1979. Demand for the dollar as U.S. interest rates moved higher pushed the metal down to a low of $304½-305. It opened at $312¾-313¾, and was fixed at $313.50 in the morning and $309 in the afternoon.

In Paris the 12½ kilo gold bar was fixed at FFr 68,400 per kilo ($313.32 per ounce) in the afternoon, compared with FFr 69,000 ($316.19) in the morning, and FFr 68,500 ($316.15) Wednesday afternoon.

In Luxembourg the 12½ kilo bar was fixed at the equivalent of $313.50 per ounce, against $316.75.

In Zurich gold closed at $308-$311, compared with $316-319.

LONDON FUTURES

Month	Yest'rday's close	+ or —	Business Done
	£ per troy ounce		
August	177.95-8.25	—4.575	182.10-7.40
Sept'mb'r	179.50-8.70	—4.975	179.60-9.15
October	181.00-1.10	—4.900	185.05-1.80
November	182.90-3.10	—5.025	185.10-3.00
December	184.60-4.70	—4.875	188.70-6.85

Turnover: 870 (380) lots of 100 troy ozs.

	June 17		June 16	
Gold Bullion (fine ounce)				
Close	$305-306	(£175-175½)	$316¾-317¾	(£180½-181)
Opening	$312¾-313¾	(£179-179½)	$316-317	(£179¾-180¼)
Morning fixing	$313.50	(£179.245)	$316.65	(£179.945)
Afternoon fixing	$309	(£176.854)	$317	(£180.370)

Gold Coins June 17					
Krugrnd	$315-315¾	(£180¾-181¼)	King Sov	$82½-84	(£47½-48)
1/2 Krug	$162¼-163¼	(£93¼-93¾)	Victoria Sov	$82½-84	(£47½-48)
1/4 Krug	$82½-83½	(£47¼-48)	French 20s	$67¾-70	(£38¾-40¼)
1/10 Krug	$33½-34½	(£19¼-19¾)	50 pesos Mex.	$375½-378	(£215½-217)
Mapleleaf	$315-316	(£180¾-181¼)	100 Cor. Aust	$299½-302	(£172-173¼)
New Sov	$73-73½	(£41¾-42¼)	$20 Eagles	$393-398	(£225½-228½)

BRITISH COMMODITY MARKETS

BASE METALS

BASE METAL prices were weaker on the London Metal Exchange as sterling lost ground against the dollar. Most prices rallied a little on the late Kerb to close above the day's worst levels. Copper was finally £740, after £736, Lead £297.5 after £294, Zinc £384 after £379, and Aluminium £540 after £537, the last-named being traded in large volumes. Nickel was finally £3,015, after a fall to £2,980 at one point. Tin came under continued heavy selling pressure, and closed at £5,580.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
HighGr'de				
Cash	726-.5	+6.5	714-.5	—14
3 mths	749-.5	+6	737-.5	—14.5
Settlem't	726.5	+6.5	—	......
Cathodes				
Cash	717-9	+6.5	704-6	—15
3 months	740-.5	+5.75	727-.5	—16.5
Settlem't	719	+7	—	......
U.S. Prod.	—	—	*68-74	......

Amalgamated Metal Trading reported that in the morning high grade cash copper traded at £727.00, 26.50. Three months £749.00, 50.00, 49.50, 49.00, 49.50. Kerb Higher Grade three months £748.00, 45.00, 44.00, 45.00, 46.00, 45.50, 45.00, 44.00. Afternoon: Higher Grade three months £737.00, 37.50, 36.00, 36.50, 37.00, 37.50. Cathodes: three months 727.00. Kerb: Higher Grade three months £738.00, 38.50, 39.00, 40.00, 41.00, 40.00, 39.00, 38.00. Turnover+ 24,790 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —†
High Grade	£	£	£	£
Cash	5500-10	-252	5460-70	—295
3 months	5620-30	-227	5575-85	—345
Settlem't	5510	—250	—	......
Standard				
Cash	5500-10	-227	5460-70	—307
3 months	5620-30	-277	5575-80	—225
Settlem't	5510	—225	—	......
Straits E.	$29.151	—1	—	......
NewYork	—	......		

Tin—Morning: Standard cash £5,500. Three months £5,730, 50, 40, 20, 5,680, 90, 5,700, 5,670, 50, 10, 5,600, 5,620, 30, 20, 10, 30. Kerb: Standard three months £5,600, 5,580, 90, 5,600, 5,590, 80, 90, 5,600. Afternoon: Standard cash £5,470. Three months £5,590, 95, 90, 85, 90, 80, 85, 80, 90, 80, 75. Kerb: Standard three months £5,590, 80, 70, 50, 5,500, 10, 5,500, 30, 40, 50, 65, 70, 60, 50. Turnover+ 3,575 tonnes.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Cash	290-.5	+2.12	283-4	—7.5
3 months	302-.5	+4	293-4	—7.75
Settlem't	299.5	+2.25	—	......
U.S. Spot	—	......	*25-7	......

Lead—Morning: Cash £294.00, 94.00, 93.00, 92.00, 31.50, 91.00, 90.50. Three months £303.50, 04.00, 04.50, 05.00, 04.50, 04.00, 03.00, 02.50. Kerb: three months £299.00. Afternoon: three months

NICKEL	a.m. Official	+ or —	p.m. Unofficial	+ or —†
Spot	2970-5	—35	2985-90	—7.5
3 months	3005-8	—31	3010-20	—10

Nickel—Morning: Cash £2,990, 75. Three months £3,000, 10, 3008. Kerb: Three months £3,000, 2,995. Afternoon: Three months £2,980, £3,000. Kerb: Three months £3,015. Turnover: 580 tonnes.

* Cents per pound. ‡ MS per kilo. † On previous unofficial close.

SILVER

Silver was fixed 5.9p an ounce lower for spot delivery in the London bullion market yesterday at 304.25p. U.S. cent equivalents of the fixing levels were: spot 531.8c, down 12.7c; three-month 551.8c, down 13c; six-month 571.5c, down 14.1c; and 12-month 613.6c, down 15c. It opened at 308-311p (538-542c) and closed at 291-294p (506-510c).

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	304.25p	—5.90	292.5p	+18.7
3 months	313.15p	—6.45	301.75p	+18.5
6 months	322.05p	—6.65	—	......
12months	342.05p	—7.45	—	......

LME—Turnover 159 (164) lots of 10,000 ozs. Morning: cash 300.0, 299.2; three months 314.0, 13.8, 13.5, 10.0, 09.0, 09.5, 09.0, 08.9. Kerb: three months 309.8, 310.0. Afternoon: three months 304.0, 05.0, 04.5, 04.0, 01.0, 01.5. Kerb: three months 302.0.

COCOA

Futures eased in thin conditions on further trade and commission house selling. Improved offtake among consumers and price-fixing of contracts later steadied values while producers remained close to current levels, reports Gill and Duffus.

COCOA	Yest'day's Close	+ or —	Business Done
July	842-43	—4.0	854-33
Sept.	868-69	—7.0	880-65
Dec.	909-10	—7.0	918-06
March	947-48	—7.5	958-45
May	970-71	—8.5	980-67
July	990-94	—10.0	995-92
Sept	1009-14	—9.0	1015-09

Sales: 3,589 (3,304) lots of 10 tonnes.

ICCO—Daily price for June 17: 69.36 (70.02). Indicator price for June 18: 69.99 (70.13).

COFFEE

A slightly steadier opening was met by early trade resistance which outweighed commission house buying, reports Drexel Burnham Lambert. Values remained in a narrow range.

COFFEE	Yesterday's Close	+ or —	Business Done
	£ per tonne		
July	1216-17	—3.5	1231-15
Sept	1115-16	—10.0	1129-13
Nov	1050-52	—4.5	1060-45

Early fresh Wall St decline

STILL REFLECTING investor concern about the high level of U.S. interest rates, Wall Street declined afresh in reasonably active early trading yesterday.

The Dow Jones Industrial Average was 3.81 weaker at 793.09 at 1 pm, above an early morning low point of about 791 but still below the closing low for 1982 of 795.47 reached on March 8. The NYSE All Common Index receded 52 cents more to $62.15, while falls outpaced rises by a three-to-one margin. Trading volume decreased to 34.21m shares from Wednesday's 1 pm figure of 43.22m.

Analysts said sentiment is growing on Wall Street that there will be no decline in interest rates over the near-term.

The view that rates will remain high found support from the high level of the Federal Funds Rate, which has hovered at 14½ per cent all week, and an increase in the broker loan rate by several major banks this week to 15½ per cent from 14½.

Oil stocks continued to lose ground, especially those with substantial interests in copper mines, reflecting the price drop in the metal. **Standard Oil Ohio**, owner of Kennecott, slipped ⅞ to $33⅞ in heavy trading after a 2⅞ fall on Wednesday. **Atlantic-Richfield**, owner of Anaconda, declined ¾ to $38½, and **Pennzoil**, owner of Duval, eased ⅜ to $30⅞.

Eli Lilly dipped 2½ to $56½. The company refuted charges made by Public Citizens, a Ralph Nader group, that its new drug for treatment of arthritis is unsafe and should be removed from the market.

Allied Maintenance rose 2¼ to $31⅝ on news that it is holding merger talks with an unidentified company.

THE AMERICAN SE Market Value Index slipped 1.94 more to 249.63 at 1 pm. Volume 3.05m shares.

Closing prices for North America were not available for this edition.

Canada

Markets remained predominantly easier yesterday morning in fairly heavy trading, although selected Oil issues rose against the trend.

The Toronto Composite Index was off 16.8 at 1,388.0 on volume of 3.09m shares at mid-session, but the Oil index was up 0.4 at 2,381.2.

Chieftain, after an early morning halt, was up 2⅞ at C$21⅞. **Alberta Energy** is seeking to acquire 7m Chieftain shares for C$24 each. **Alberta Energy** slipped ⅞ to C$12.

The Canadian dollar continued under pressure as dealers watched for a move by the Bank of Canada to raise the bank rate yesterday. The chartered banks were expected to follow with similar increases in prime rate.

Tokyo

The market extended its recent sharp fall initially yesterday as the persisting yen weakness, high U.S. interest rates and the fresh overnight Wall Street setback drove share prices down further. However, moderate bargain hunting occurred later, especially for a number of recently hard hit Blue Chips, which managed to score some gains on the day, although the overall market still showed an easier bias on balance.

The Nikkei-Dow Jones Average, after suffering a setback of 100 points over the prior two sessions dipped 45.28 more yesterday before rallying to end only 12.14 weaker on the day at 7,130.25. The Tokyo SE index finished a modest 0.43 lower at 536.28. Volume of shares traded was still low, coming to 160m shares (140m).

Traders said prices have now dropped to levels low enough to induce limited buying, and some investment trusts were in the market to look for bargains.

In the Light Electricals sector, Sony recouped Y80 at Y3,260 and Matsushita Electric Y30 at Y1,040. During the day, Sony announced a 15.8 per cent half-year unconsolidated net earnings gain, and this may have had some impact on its share price movement.

Worries over the yen's slide continued to undermine the Oils group. Japanese oil companies suffered substantial earnings losses in fiscal 1981 as a result of a domestic demand slowdown and the yen's depreciation. Hopes had been high at the beginning of the current fiscal year when many economists had predicted a stronger yen. With the Japanese currency so weak at present, however, there is growing speculation that fiscal 1982 may be yet another dismal year for oil refiners. **Nippon Oil** lost Y25 to Y867 and **Teikoku Oil** Y16 to Y849.

Paris

Prices retreated across a broad front for the fourth consecutive session in relatively calm trading. The Indicateur de Tendance index lost 1.9 to 113.3 for a four-day fall of 7.4.

There was no positive news to drive away the clouds which have been hanging over the Exchange since the announcement of austerity measures to accompany last weekend's devaluation of the French franc.

Market analysts said the appreciation of the U.S. dollar, which continued to break new ground, was keeping potential buyers away from the market.

Australia

Markets were mixed with just a slight bias to lower levels, having shown some signs of steadying after recent weakness.

Metal Mining issues were helped by steadier commodity prices in London overnight.

MIM cut its domestic copper price to A$1,280 a tonne but was 3 cents better at A$2.63.

However, **Western Mining** lost 4 cents to A$3.08, after the South Australian Upper House defeated legislation needed for the Roxby Downs minerals project.

Elder-Smith slipped 5 cents to A$3.00 after deciding to buy almost 20 per cent of Bridge Oil. The latter was a further 7 cents down at A$3.18 on its rights issue to raise more than A$36m.

Santos gained 4 cents to A$5.06 after its Cooper Basin well Strzelecki No 10 flowed gas at 200,000 cubic metres a day. Of the other partners, **Vamgas** put on 20 cents to A$7.20, and **CSR**, with an interest through **Delhi**, was 2 cents higher at A$2.70.

Johannesburg

Gold shares retreated as the Bullion price fell to almost $305 per ounce, its lowest level for about three years.

Heavyweight gold issues shed up to 300 cents, as in **Western Holdings**, at R31.75, while **President Steyn** lost 225 cents to R22.75. Cheaper issues lost up to 50 cents.

Hong Kong

After a modestly easier start in the wake of the lower overnight Wall Street close, Hong Kong markets picked up on light bargain hunting to end firmer-inclined again on the day.

The Hang Seng index slipped 5.63 before finishing a net 7.32 ahead at 1,319.08 for a mild two-day recovery of about 13 points. However, turnover remained very thin, amounting to HK$124.73m on the four exchanges, against the short Wednesday session total of HK$93.55m.

Brokers said that with the low turnover such a gain was extremely fragile. Further negative economic signals from overseas markets could tip the market here much lower, they added. Several analysts predicted that the market would fluctuate near these relatively low levels until there are clearer signals from overseas.

Utilities enjoyed the greatest buying interest. **Hong Kong Telephone** rose HK$1 to HK$32 and **China Light** 40 cents to HK$16.70.

Germany

Markets were closed yesterday for the Day of National Unity holiday.

Indices

MONTREAL	June 16	June 15	June 14	June 11	1982 High	1982 Low
Industrials	254.81	256.36	259.65	261.35	332.78 (4.1)	254.81 (16/6)
Combined	244.17	246.01	247.74	248.86	316.08 (4.1)	244.17 (16/6)
TORONTO Composite	1404.8	1415.5	1431.4	1447.7	1956.5 (4.1)	1404.8 (16/6)

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
U.S. Steel	8,045,100	18½	+ ⅛
Texaco	855,900	27⅞	—
Cities Service	788,700	37⅝	+1¼
Mobil	744,200	23⅛	− ⅛
Exxon	723,500	27⅛	− ⅛
Std. Oil Calif.	674,500	30⅝	−1⅞
General Motors	661,100	45⅞	+ ½
Contl. Data	649,800	23⅞	+ ⅛
Caterpillar	513,300	35	−1½
Ohio Edison	511,500	12¾	—

AIRLINER DEVELOPMENT

Cost pressures force rivals together

By Michael Donne, Aerospace Correspondent

THIS SUMMER, if all goes well, the world's biggest international aero-engine consortium may be set up to build a new jet engine for a projected 150-seater airliner. The companies concerned — Rolls-Royce of the UK, Pratt and Whitney of the U.S., Ishikawajima-Harima Heavy Industries, Kawasaki Heavy Industries and Mitsubishi Heavy Industries of Japan, and Motoren-und Turbinen Union of West Germany — all feel that such a group is likely to be the only way in which any of them will make any money out of what is likely to be the biggest single airliner programme yet attempted.

Although the world airline industry is still in the trough of the recession, incurring heavy losses, many airlines believe that in the late 1980s — but not before then — a market will emerge for a new-generation, more fuel-efficient and quiet jet airliner, seating around 150 passengers on short-range routes. The market through to the end of the century could amount to more than 1,000 aircraft, worth an estimated £25bn to £30bn.

But it will be very costly to develop.

It is estimated that the airframe development alone will cost upwards of £1bn, while the new engine of about 24,000 to 25,000 lbs thrust will cost another £750m. If, as has seemed likely over the past two years, two to three airframe companies (or even groups), and two to three engine companies, all compete for shares in the market, the total investment involved will amount to perhaps as much as £3bn to £4bn on the airframe, and perhaps more than £2bn on the engine.

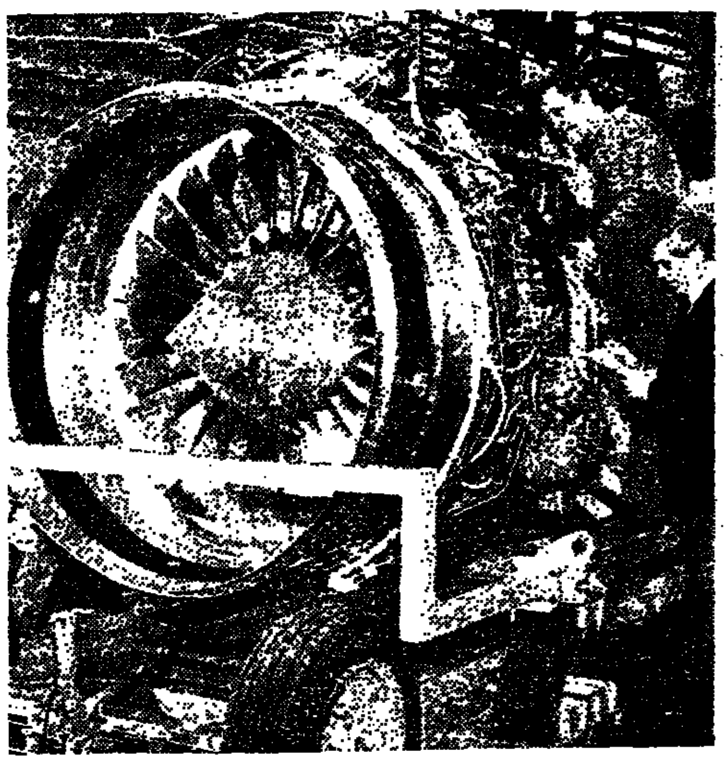
These are massive investments by any standards. No individual company in the aerospace industry can afford to spend on such a scale by itself, so international collaboration has become essential.

In the UK, the need for such a larger engine consortium is regarded as particularly important. Rolls-Royce itself, still fighting its way back into profit after a period of losses (its net loss in 1981 amounted to £3m against a net loss of £27m in 1980), will need substantial Government cash support for its share of any engine programme for the 150-seater (perhaps amounting to as much as £250m). The British Government, not averse in principle to providing aid for new civil projects, would like to keep any cash injections it makes as low as possible by sharing the overall cost burdens as widely as possible.

Rolls-Royce has already gone some way towards meeting this requirement, by collaborating with the three Japanese aero-engine companies on the RJ-500 engine for the 150-seater, which is already well advanced, with two "demonstrator" engines—built to prove the fundamental soundness of the basic design concept—having already run on the test-beds at Derby and at IHI's factory near Tokyo.

So far, both Rolls-Royce and the Japanese companies have spent their own cash in the preliminary development of the RJ-500 engine. But the time is rapidly approaching when to proceed to full-scale development will mean calling for cash support from both the UK and Japanese Governments. Because of the amount of cash likely to be needed, an even larger international group on the engine venture—and, indeed, on the airframe side as well—will undoubtedly be welcomed by those two governments.

As a result, over recent months, Rolls-Royce and the three Japanese engine companies have been discussing with both the major U.S. engine companies, Pratt and Whitney and General Electric, the possibility of setting up a much wider group. These talks have now reached the point where General Electric (which is already collaborating with Snecma of France on a rival engine, the CFM-56) has dropped out.



RJ-500 engine at Rolls-Royce's Derby plant.

Rolls-Royce, the Japanese and Pratt & Whitney, together with the latter's partner, Motoren-und Turbinen Union (MTU), will now move on to the much more difficult task of stitching together the practical details of a consortium, such as work-sharing, cost-sharing and programme management. The belief is that Rolls-Royce, the Japanese group and Pratt & Whitney will each have about 30 per cent of the proposed venture, with the remaining 10 per cent left to others, such as MTU, and possibly also Fiat Aviazione of Italy and Volvo Flygmotor of Sweden.

The problems involved will include how much of each big group's existing work will go into any new partnership—for example, how much of the RJ-500 can be married to Pratt & Whitney's own 24,100 lbs venture, the STF-632, or whether one or the other will be abandoned (a most unlikely course). Each company has its own brand of new technology to offer, and will want to see it used.

Rolls-Royce has new "wide chord" fan blades, for example, while Pratt & Whitney has its "single crystal" turbine blade technology to offer. Each has pushed ahead fast with other new engine developments, and fitting these together into one new engine design will be a massively difficult task.

Beyond this are problems of cost-sharing and programme management. The logistics and communications problems will be considerable, spread across the world from the U.S. to Japan and to Europe. There are also problems of winning approval from the U.S. Justice Department, which may feel that any such consortium is not in the U.S. public interest.

Should the talks aimed at a wider engine consortium fail, it is certain that the participants will fall back on their own existing programmes—Rolls-Royce and the Japanese on the RJ-500, and Pratt & Whitney on the STF-632—and each will be developed in competition with the other. Everyone would like to see a wider consortium emerge, but everyone is equally determined not to be left out of the market-place if it can possibly be avoided.

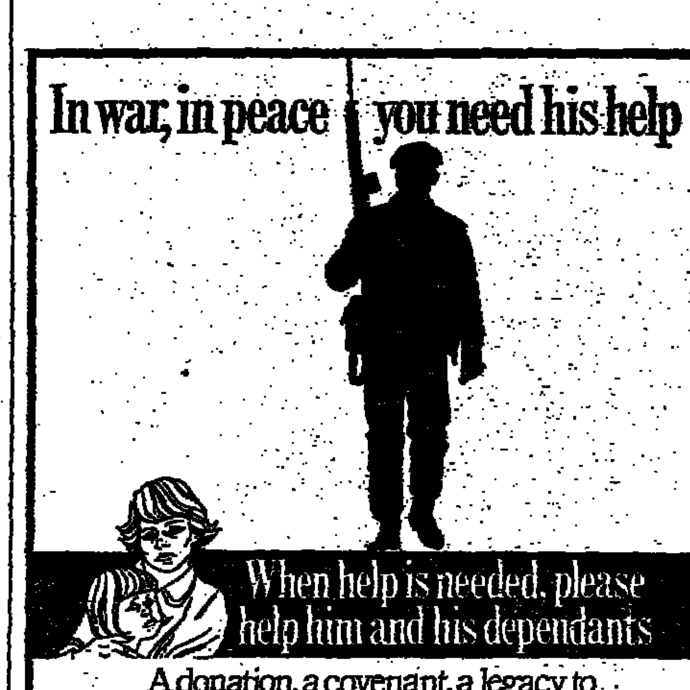
On the airframe side of the 150-seater venture, there is just as much discussion on the possibility of wider international collaboration than in the past. There are at present three main groups in the hunt for partners, although this could be narrowed to two within the next 12 months. An attempted marriage between McDonnell Douglas of the U.S. and Fokker of Holland, with the MDF-100 design for the 150-seater, has been terminated by mutual agreement. McDonnell Douglas (which claims it has enough funds to go ahead alone), has a new design, the D-3300-1, but it is still looking for international partners.

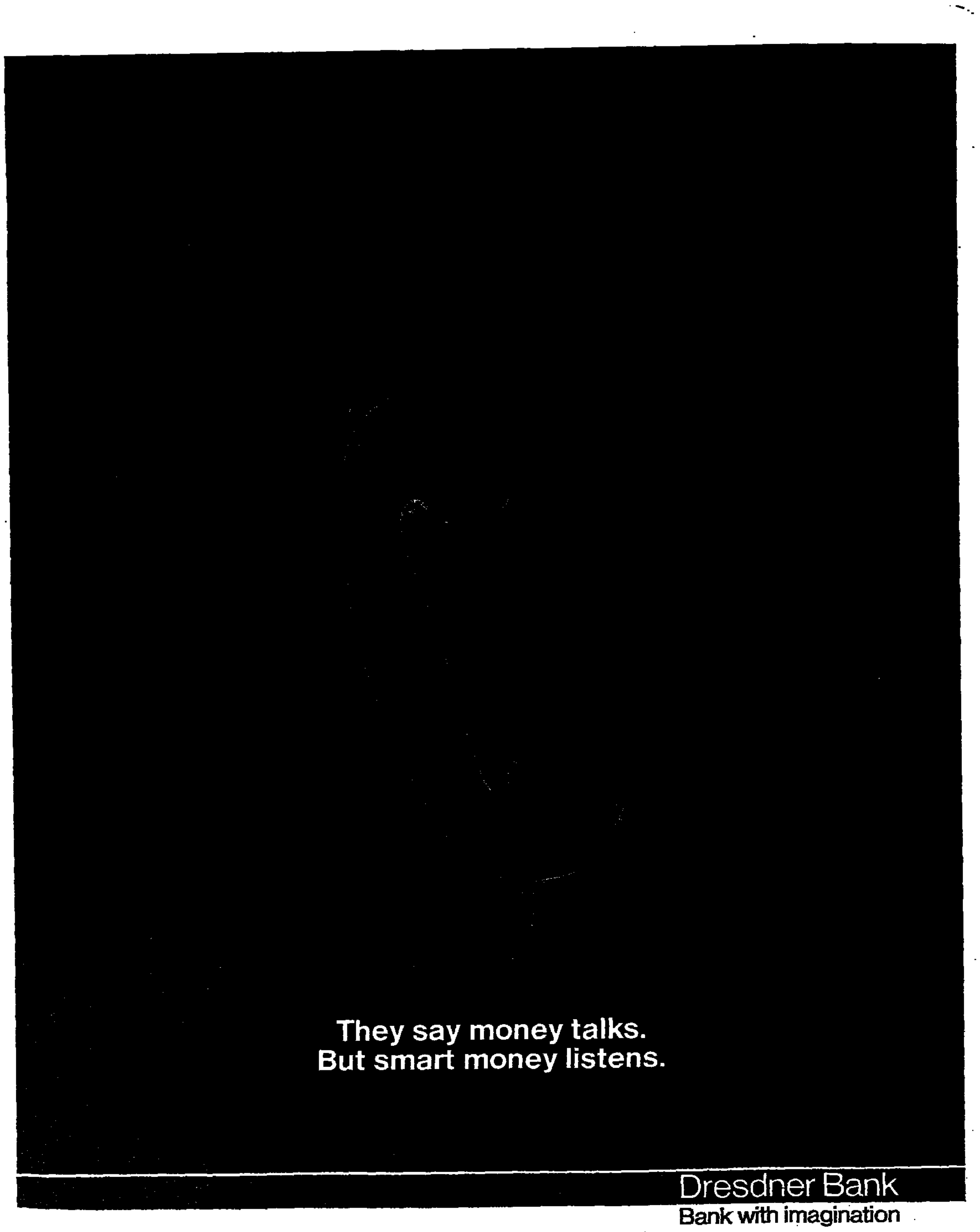
Airbus Industrie, the highly successful European group, in which British Aerospace has a 20 per cent stake, is also seeking to widen its own consortium to cope with its own 150-seater, the A-320, beyond the existing A-300 250-seat and A-310 200-seat designs. It has signed agreements with Australian companies; it would like to see Fokker come into the fold; and it is also interested in bringing in Aeritalia of Italy, and perhaps also Saab-Scania of Sweden, in addition to its existing partners, British Aerospace, Aerospatiale of France, Deutsche Airbus and Casa of Spain.

The third potential contestant on the airframe is Boeing, with its "7 Dash 7" design, but with other ideas in the background, including further new developments of its highly successful 737 design with new engines (737-400) and perhaps new wings also (737-500), or a shortened-fuselage 757 (the 757-50). Boeing is not anxious to see such a venture started just yet, however, because it is still heavily committed financially on its bigger generation of new jetliners, the 757, the 767 and 737-300. But it is working quietly to build up its own consortium, both inside the U.S. and overseas, perhaps with Aeritalia in Europe and with Japan.

Everybody, in fact, is wooing the Japanese, because that country is anxious to build up its commercial transport aircraft production capability, and sees the 150-seater as probably the most profitable venture on which to achieve this expansion. Moreover, the Japanese industry is prepared to spend substantial sums to gain the technological knowledge it wants.

If economic recovery is slower than many expect, the timing of the 150-seater and its engine could be pushed further into the future, say, 1989 or even 1990. Even so, this will still require a launching commitment on the engine in 1983, and on the various competing airframes in 1983 or 1984 at the latest. Most people in the aerospace industry believe the launch decisions will be taken within the next six to 12 months.





Anglo American Coal Corporation Limited

(Incorporated in the Republic of South Africa)

"Planned total output to rise above 80 million tons annually within the next ten years".

Extracts from the review by the Chairman Mr. W. G. Boustred

The profit attributable to Amcoal shareholders again showed an increase and the R131.3 million earned for the fifteen months to March 31 1982 represents an increase of 32.8 per cent on an annualised basis over the ,1980 earnings of R79.1 million. This result was achieved after the introduction of the policy of amortisation of coal mining assets for which a provision of R14.8 million was made which, together with the provision of R4.7 million for industrial assets, made a total provision for amortisation of R19.5 million. In order to make the earnings directly comparable with those for 1980 the amortisation provision for mining assets must be added back and this results in an annualised earnings increase of 47.8 per cent.

The Group turnover of R802.7 million represented an annualised increase of 38.0 per cent and was made up of sales of coal and coke of R646.3 million and refractories and associated products of R156.4 million.

COAL MINING ACTIVITIES

The turnover from the sales of coal and coke of R646.3 million represented an annualised increase of 42.3 per cent over that achieved in the previous year. This resulted in an operating profit of R228.1 million, an annualised increase of 65.8 per cent on the R110.1 million in the previous financial period. Sales of coal and coke during the fifteen months totalled 44.7 million tons, an annualised increase of 2.1 million tons (equivalent to 6 per cent).

At March 31 1982 the coal mining division was forecast to make new investments in its mining assets estimated at R1 363 million in December 1981 money values compared with R434 million at end – 1980 in the money of that time. These forecasts include the Group's investments in the new collieries to supply coal for the 3600 MW Tutuka, Lethabo and new Station 'E' power stations and in Goedehoop colliery to supply coal required for Amcoal's Phase III export entitlement. The total value of the Group's capital expenditure programme, including the proportion to be financed by customers, is R1 853 million in December 1981 money values.

RESERVES

The increased tempo of coal exploration activity which commenced in 1980 continued to be maintained by the Anglo American Corporation Group's coal syndicate, in which Amcoal participates. During the fifteen month period coal rights to 141 million run-of-mine tons were purchased and options over some 226 000 hectares acquired.

In May 1981 the Minister of Mineral and Energy Affairs outlined the results of the investigations by his department into the total proven exploitable coal reserves in the Republic. On a proven in situ basis, the reserves were stated as being 110 000 million tons and the exploitable or recoverable tonnage, using current economic mining methods, was stated as being 51 000 million tons. Details have not as yet been released but it is Amcoal's estimate that some 17 000 million tons (34 per cent) of the 51 000 million tons are under the control either of the State itself or public corporations such as Sasol and Iscor. Of the balance of 34 000 million tons Amcoal together with other major private sector coal producers controls 26 000 million tons (52 per cent) leaving a balance of some 8 000 million tons controlled mainly by some ten coal companies and certain oil companies. Amcoal's position in relation to the 34 000 million tons of proven recoverable reserves available to the private sector amounts to some 12 000 million tons and is demonstrably very strong and should continue to be improved as a result of the Group's ongoing exploration effort.

COAL EXPORTS

During the first half of 1981, the demand for, and consequently the price for steam coal on world markets continued to firm in the light of the reduction in tonnages available from Poland and action on the part of buyers to increase stocks against the possibility of future shortages. In response to this demand, American coal exporters, contrary to expectation, placed close to 30 million tons of steam coal onto the market, primarily in Europe, which is some three times greater than their previous export levels. In addition, other smaller exporters were drawn into the market. This significant increase in supply coincided with a period of economic stagnation in Europe with little or no growth in gross national products and nil, or in some cases negative, growth in energy demand. Consequently an oversupply situation developed and US dollar prices on the world steam coal market softened over the last six to eight months. Indications are that lower demand and lower US dollar price levels will continue for a period until there is a general economic revival and until coal fired power stations under construction in Europe and the Far East are commissioned. With its high levels of mining productivity, efficient railway and port handling services and its established record of performance, South Africa is well placed to maintain its competitive position in world markets but it is important that major efforts should continue to be directed towards containing inflation in order to ensure that this competitive position is maintained.

Amcoal's own exports from the Transvaal are planned to increase from the current level of 1.8 million tons a year to 6 million tons a year by 1987. The existing Kleinkopje mine will supply 3 million tons of this commitment and the new Goedehoop colliery will produce the remaining 3 million tons. Production from Goedehoop will start in March 1983 with the first exports of this coal from Richards Bay scheduled for June 1983.

FUTURE PROSPECTS

In the three coal supply contracts awarded by Escom and in the level of its existing and anticipated authorities under the Phase III and the Phase IV export programmes, major opportunities are available to Amcoal for sustained and balanced growth in the years ahead. New business already firmly secured enables planned total coal output to rise above 80 million tons annually within the next ten years.

The current year will see the Group's Escom collieries at full stretch. In other areas of the domestic market some weakness, notably in the metallurgical sector, is forecast to follow the advent of less buoyant economic conditions in the Republic. Notwithstanding the prevailing weak conditions in export markets, and in particular the anthracite trade, the Group's production for export is effectively fully sold for the current year. Looking further ahead, an improvement in the coal market may be expected to follow the revival of economic conditions in the industrialised countries. The exchange value of the rand against the US dollar will have an important bearing on the Group's export earnings, and near-term expectations are that the rand will remain weak.

Forecasts indicate that the Group's earnings for the current year will continue to show growth but this will be at a significantly lower rate than that achieved during the period under review.

The 83rd annual general meeting of Anglo American Coal Corporation will be held in Johannesburg on Friday, July 16th, 1982. Copies of this review and of the annual report are obtainable from the London office of the company at 40, Holborn Viaduct, EC1P 1AJ, or from the transfer secretaries Charter Consolidated P.L.C., P.O. Box 102, Charter House, Park Street, Ashford, Kent TN24 8EQ.

هكذا من الاصل

Portuguese Banking & Finance

Banking is one of the most successful sectors in post-revolution Portugal. Constitutional changes due to be introduced this autumn in preparation for EEC entry are likely however to open the doors to competition from foreign banks.

EEC will mean change

BY ROBERT GRAHAM

USING THE image of a long distance race, the Portuguese Premier Sr Francisco Pinto Balsemao recently described himself to a colleague as a stayer. He is a man who paces himself carefully, always keeps something in reserve and clearly intends to finish.

This determination to hold office—the difficult mantle inherited 18 months ago from the late Sr Francisco Sa Carneiro—has surprised many Portuguese. For his appointment appeared a stopgap to bind the loose coalition of Alianza Democratica (AD) while the problems created by the loss of the charismatic ex-Premier were resolved.

Sr Balsemao has survived more than one attempt to unseat him from within the party and even his most strident critics have begun to drop their demands for him to go. His firm handling earlier this month of a cabinet reshuffle caused a small stir — over whether he had not overstepped his authority — which in the event only underlined how much that authority has grown.

It is perhaps because he is so mild mannered that this increased authority usually goes unnoticed. He has in fact consolidated very discreetly his position and his supporters insist that he has every intention of continuing in office through to 1984 and will not resign after municipal elections at the end of the year as has been rumoured.

Though now forgotten, his greatest achievement has been to remove the abrasive tension that existed between the Premier's office under his predecessor and President Eanes. This has enabled the delicate discussion of reforming the 1976 constitution to go ahead in a much calmer atmosphere, even if the pace has been slower than expected.

Sr Balsemao's main difficulties in government have arisen from the internal tensions of the AD Alliance until now. Although these tensions continue his main challenge now comes from the country's economic difficulties and the way in which the trade unions are using inflation as a weapon to bring down the government. This year the Communist-controlled trade union Federation Intersindical has mounted a series of industrial stoppages and called two general strikes which have been overtly political. This is the first sign of sustained labour unrest since 1976.

In promoting labour militancy Intersindical appears to have miscalculated the public mood. For while being disgruntled over rising prices there has been a general reluctance to back wide-scale industrial disruptions. The first general strike was observed essentially in the Lisbon area and in the industrial belt round Setubal. The second in May had even less support and highlighted the split between Intersindical and the moderate Socialist-controlled General Workers' Union.

It was in part this split that led to the violent clashes in Oporto on May Day where two workers where killed in clashes with the security forces. The incident was an unpleasant shock to normally passive Portugal which has not witnessed anything so violent since before the 1974 revolution.

The growing acceptance of the Socialist trade unions at the expense of Intersindical is of great significance. Since the revolution Intersindical predominance has appeared increasingly disproportionate as the country has reverted to a more conservative stance.

Labour unrest

The worrying aspect of this labour unrest has been its impact on wage settlements. This year's wage settlement guidelines have been swept aside in a scramble to push earnings above inflation. Originally the Government hoped to contain increases to within a 17 per cent ceiling, rising to 19 per cent if productivity agreements were added.

Average wage settlements so far are around 21 per cent. But there has been a big variation within the sectors with the stronger unions obtaining higher increases so continuing the asymmetry in Portuguese wages. Thus the Government has been unable to enforce a coherent wage structure by consent and the impact is now going to be felt on inflation. The Government's failure in this respect was implicitly admitted in the recent Cabinet reshuffle which saw the labour portfolio changed.

Inflation, according to April figures, is running at 23 per cent on a year on basis compared with 20 per cent at the beginning of 1981.

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The authorities have continued to use monetary instruments as their prime means of control rather than introducing any new fiscal measures. This has meant that the monthly credit ceilings fixed on the commercial banks by the Bank of Portugal have played a vital part (but these ceilings have not been so watertight as the banks have been able to get round some restrictions via their overseas branches). Control has also become increasingly complex as a result of the burgeoning black economy. The black economy is now a major phenomenon in the Portuguese economy and distorts all official statistics.

It is highly unlikely therefore that the rate of inflation can be much reduced for the rest of the year. The best the authorities can do is to try to hold it steady. Another difficulty lies in Portugal's traditional dependence upon imported foodstuffs and energy. While oil prices have held steady, the drought of the past two years has obliged the authorities to rely even more on costly foodstuff imports. Since the Government wants to liberalise and reduce the level of subsidy, the impact is naturally felt in take-home pay packets. It is now reckoned that as a result of subsidy cuts 10 per cent of family expenditure is no longer covered by subsidies.

Increased resort to imports has been accompanied by a slowdown in the rhythm of exports, caused by the recession in international markets. As a result original forecasts for the 1982 payments deficit are almost certainly optimistic. Having hoped to hold the deficit down to $1.4bn the final deficit could be as high as $2bn.

This, however, should not have too serious an impact on Portugal's external position. For a year now Portugal has been operating without any effective pledge on its 689 tonnes of gold. (The last item pledged against gold worth $25m was settled on June 4.) The Government is continuing with its policy of placing the escudo on a crawling peg 0.75 per cent monthly devaluation. The pressure for a change in this policy appears to have lessened recently and the Government for its part is set against any form of devaluation other than the crawling peg.

Something of a question mark hangs over Portugal's relations with the IMF. Not that there is any contention but rather the Portuguese Government has yet to make clear whether it wishes to resume discussions for a new medium-*term facility of up to $1.5bn.* These were begun last year but subsequently broken off for a complex mix of reasons—some within the Government felt the discussions were premature and others were concerned at the political repercussions of allowing in the IMF with memories still strong of the latter's dictat four years ago.

More generally the Government needs to show greater determination in grappling with economic issues. The problems are easy enough to see. Portugal is Europe's poorest and least developed country yet it has committed itself to joining the EEC and therefore imposing a formidable burden in accelerating economic development, shaking up a torpid administration and modernising its industry and improving the lot of its rural population which still accounts for almost a third of the total.

This aim has been complicated by the fact that in the past eight years Portugal has gone through a political and economic revolution, transferring ownership of the principal resources from a limited group in the private sector to the State. Coupled with the initial chaos and confusion of this change, Portugal has had to absorb thousands of people from its former colonies.

Against this background it is still amazing that so much has been achieved but one also has to underline that a great deal remains to be done. Arguably one of the most successful sectors to have emerged from the revolution and which is gearing itself up to EEC membership is the banking system.

The commercial banks prior to the revolution dominated the economy not only as financiers but also in their role as shareholders in virtually every key sector of activity. Now they are nationalised entities but they have managed to retain their identities. This has proved very important because within the interventionist system that the Portuguese economy is they have acted in competition.

Complex control

They have also been the principal proponent in backing the private sector and the Government in liberalising. They, for instance, have become increasingly tough with the deficit ridden State companies. Conscious of the bottom line they have also realised that in an economy as small as Portugal's—roughly equivalent to that of Marseilles region—expansion has to be abroad and this they are doing. Great significance is now attached to building up banking links and operations in Macao as well as capitalising on former ties with the African colonies.

Last year the banks provided some $100m in dividends alone to the Treasury. Indeed there is a healthy battle between the banks and the Ministry of Finance over how they should declare their profits.

The banking system still leaves much to be desired and the banks are critical at times of the rigid interest rate structure. Last April the Bank of Portugal raised its discount rate one point, it having remained unchanged since July 1981.

The banking sector is also one area that is liable to be altered as a result of reforms in the constitution. For it is the EEC's freedom of establishment principles that need to be accommodated in the present document that was drawn up in the euphoria of the revolution talking about the triumphant march towards socialism.

Constitutional reform is expected to permit the operation of foreign banks and to make it easier for a range of new financial institutions but at the same time retain the main Portuguese banks in state hands.

Discussion in parliament on altering the constitution finally began earlier this month after a lengthy series of delays. The debate is expected to need at least 100 hours which will take the legislation through until the autumn. Thus nothing is likely to be known with certainty until the end of the year.

The more aggressive members of the business community argue that too much is made of the constitutional changes. They say the existence of an outdated constitution has been used as an excuse both by the Government and by the private sector to hold back on investment and for general inactivity.

Undoubtedly though it will be a catalyst. Firstly it should make it clear to potential foreign investors that they are welcome and that the economy aspires to market principles. In this respect it will be interesting to see whether Ford announces the green light for its proposed $1bn car investment project at Sines before the constitutional changes are approved.

Secondly the constitutional change will also provide necessary stimulus for Portugal to prepare itself for EEC membership. Until now the administration appears to have been coasting along in the belief that membership negotiations presented little real difficulty. They have recently learned with some dismay that Brussels has not been too happy that they have been taking things for granted.

PORTUGUESE BANKING AND FINANCE II

Duncan Campbell-Smith pays a visit to the Stock Exchange

Investors' confidence ebbs away

IT COULD be the catalogue room in a library of some ancient university. Four tall desks stand apart under the pillared arches of the hall. At each desk some researcher, as it might be, stands leaning over his notes with pen poised over a shelf deposit slip.

Only the sight of four heaped ashtrays, and the muttered exchanges between one man and another, suggest a different task.

It is, in fact, the Lisbon Stock Exchange. In this hall shares once changed hands in quite a different atmosphere, even attracting fishermen from nearby wharves who would frequently gamble a part of their day's takings on the vagaries of the stock market.

One revolution and seven years of nationalisation later, the market is still there. But most investors and speculators alike have long since disappeared. It ticks over for an hour each day without them, biding its time as the politicians ponder the future of capitalism in the Portuguese economy.

It has not, of course, been entirely deserted. As the day begins, a handful of businessmen drift in and settle among the chairs which are set in circular pews around the floor. Three or four representatives of commercial banks are there to act on behalf of customers. A few private investors join them, perhaps out of mere curiosity or possibly to deal on their own account.

As this suggests, the proceedings are not too formal. Of the four men scribbling at the tall desks, one is the clerk to the market. The other three are there to buy and sell shares and bonds on their own behalf or for clients. No dual capacity here: and they are free to wander over to the sidelines to pick up business as they can.

Each broker strives to put together two sides of a deal. Where he cannot do so, he will turn to one of his two competitors for help. Deals can be arranged on or off the floor, but all trading in officially-quoted stocks must be confirmed through the market.

Projectors

A little in front of the brokers' positions and facing them is another, larger desk. It looks more like the counter in a fishmonger's shop. On its metallic blue top are two old-fashioned projectors and their lamps throw up transparencies of the market price lists on the wall beyond.

A gentleman in dark glasses attends to these lists, slipping them in and out of the projectors and marking up the transparencies with a pencil as deals are struck.

He has to look after the quotations of 167 bond issues—almost entirely comprised of Treasury and other public sector obligations—and 23 corporate equities. Each can be traded only once per market session. This is not much of a constraint, though, since it is a rare day which sees more than 40 bargains struck altogether.

Only two or three shares trade at all regularly. Lisnave, the privately-owned shipyard group, attracts most attention. The company even issued a debenture early this year, the first corporate bond flotation since the revolution eight years ago.

The Lisnave bond trades around par to yield over 20 per cent at present. This has done nothing to help the share price, however. Lisnave dropped to Esc 1,000 at the beginning of June—its lowest level since the revolution and down from Esc 3,000 in 1979.

Indeed, prices throughout the market have drifted generally downwards since last summer, off-setting a firmer tone which prevailed for a few months after the present Government's arrival at the end of 1980.

The confidence of the last remaining investors is draining away. "People don't really believe now that the present system is going to change much," says one pessimist from his seat on the perimeter of the floor.

Sr Abilio Agostinho de Sousa, one of the market's three brokers, reluctantly agrees. He sets little store by Portuguese entry into the EEC and has already taken the precaution of preparing for another career. Last year Sr de Sousa completed a law degree—as an insurance, he explains, against the final disappearance of the stock market.

Amendments

But the market is not dead yet. Exchange officials point out that 518,078 bonds changed hands last year, against 221,426 in 1979. Members of the Exchange Council's executive are planning various amendments to the rules of the market which, they hope, will boost activity further. (The current Exchange Rules Book was published just three months before the 1974 revolution.)

Even the officials show little real optimism, however. Asked about the market's future, one of them turns to the top drawer of his desk and whisks out, dog-eared and yellowing with age, the last published copy of Bolsa de Valores de Lisboa—the old official prices list. Its date is April 24 1974, the day before the revolution.

In a matter-of-fact way the official proffers up for examination the close print of the four-page list. Prominent among its 24 subheadings are two particular sectors with 45 quoted companies: banking and insurance.

These, he explains, were the two most important areas of the old market. Without them, it seems, little can be expected of the new.

New investment companies begin to take shape

ALTHOUGH the relevant legislation is not yet ready, new investment or leasing companies are now taking shape in Portugal.

Their right to exist in principle — exceptions to the ban on new private capital in banking and insurance — was conceded in 1978, but it was not until late last year that the first investment company, Sociedade Portuguesa de Investimento (SPI), set up in business.

SPI, as well as other companies waiting in the wings, shows particular concern about the lack of two legislative items: regulations on certificates of deposit, which are seen as a major potential source of finance for the companies; and a clear declaration by the Bank of Portugal on the refinancing problem.

It is perhaps a little too soon to tell, after only eight months of operation, but considering Portugal's peculiarly restrictive climate, which does not always take quickly to new ventures, SPI appears to be shaping up reasonably well.

A sum of Es 750m (£5.75m) of the Es 1bn (£7.7m) as subscribed capital has been paid in. The partners are about 100 Portuguese private concerns, holding 77.5 per cent of capital.

Sharing the rest are the Union des Banques Suisses, Crédit Lyonnais, DEG (Deutsche Entwicklungsgesellschaft für Zusammenarbeit), and the World Bank's International Finance Corporation—two major development-oriented corporations and two major banks. SPI is the International Finance Corporation's first venture into Portugal.

So far, SPI has not embarked on one of its prescribed activities—taking shares in reputable companies. It is waiting for the stock market to become active. This has been promised—for some time—by successive finance ministries. It involves tax relief or rebates and might get started before the end of this year.

Specialising

SPI, or any other investment company that could enter the market later, would only temporarily take shares in a concern to get it off the ground. Then it would want to sell its shareholdings, and under present conditions that would not be attractive.

On the other hand, SPI has been active in financing a couple of dozen worthwhile projects, in fishing (catching and processing), mining, textiles, wood and cork, paper, ceramics, non-ferrous metals, electrical machinery and transport equipment.

It has a staff of 30, consisting of project managers (engineers and economists), banking and capital market experts, and lawyers specialising in economic law. It also has plans to send people abroad for special training.

Its resources are assured until the end of next year, with 60 per cent domestic and 40 per cent external credit. Part of the external credit is covered by the Bank of Portugal's Exchange Guarantee Fund and part is export finance, where, under the OECD system, Portugal, as a poorer country, has been entitled to privileged fixed-interest terms.

But SPI has rarely drawn on these facilities. Most of the foreign credit is medium-term or long-term, with the International Finance Corporation's credits enjoying a 10-year term.

The leader among investment compaines practising a prudent "wait and see" policy before applying for Government permission to enter the market is the MDM, set up by Sr Jose Manuel de Mello, a member of one of Portugal's few capitalist pre-revolutionary families, with the Morgan Guaranty Trust of New York and Deutsche Bank.

MDM is watching the market carefully, especialy since this has been a bearish year generally. Like the SPI, it is concerned about certificates of deposit. Under present proposals—generally deemed unsatisfactory—an investment company could not issue these certificates until its third year of operation and after proving its financial solidity.

The charitable view is that Portugal has never had investment companies before and the authorities want to make sure that they get things right. But the characteristic slowness of approach, here as in other fields, seems to rankle a little.

A particularly interesting proposed investment company has been conceived by Portuguese emigrants in Venezuela, South Africa, Canada, France and West Germany. With the provisional name of Lusandina, the concern, which is not yet an applicant for authorisation, sees itself as a safe haven for the savings of Portugal's 4m emigrants.

Legislation

In the leasing area three companies have been authorised and have declared themselves open for business. Others have been authorised and are waiting like the investment companies, for the relevant legislation. For the leasing companies the focus is on tax legislation, particularly the degree of depreciation allowed as well as the means of raising finance.

A number of foreign banks represented by offices in Portugal, as well as major vehicle or equipment makers, have shown an active interest in leasing companies. In a grossly under-capitalised country which needs to re-equip itself the venture makes sense.

The first one to go public, accompanied by television advertising, was Locapor, largely the brainchild of its major partner the National Savings Bank (Caixa Geral de Depositos) and its Sr Tavares Moreira, in association with Locabail of France (25 per cent of the capital of Es 200m (£1.53m) and a number of motor manufacturers or distributors.

Locapor has received a $6m credit line from the International Finance Corporation, geared to the leasing of energy-saving equipment and projects for small and medium-sized companies.

When legislation is clarified it seems that the investment companies would not be averse to close co-operation with leasing companies, since the object of both is to stimulate industrial diversification and modernisation in Portugal.

While investment, leasing and even regional development companies, like one to develop the Algarve, are getting off the drawing board and into the market, another enticing prospect—Lisbon as an international financial centre—is gaining attention.

This prospect was first seen more than a decade ago, when the country was labouring under the strains of a colonial war, remoteness from the Western European mainstream, and a repressive politico-economic regime.

Now that Portugal is more open socially, a new generation of financiers is reviving the idea to see how officialdom reacts. It appears that it has not been totally discounted as an interesting possibility.

Diana Smith

Insurance adopts a more professional approach

INSURANCE is growing in Portugal and gradually working towards a more professional approach at all levels.

This raises questions about the long-range future of tens of thousands of small-time insurance agents in the cities or the provinces who may sell only one or two policies a year, if that.

It also reflects the ambition of the nationalised Portuguese companies (swept into the publicly-owned net in 1975) and the mixed domestic and foreign or purely foreign concerns to bridge the range and volume of services offered more closely in line with those of other Western European nations.

Evidence of this growth is the fact that in 1979 the relevant supervisory body, the National Insurance Institute (INS) received applications from insurance companies wishing to move into sectors either new to them or to the market as a whole.

In 1980 the number of requests grew to 24 and in 1981 to 59. In the first four months of this year no fewer than 74 applications for new departures were authorised by the INS.

Compulsory

An illustration of the ground Portugal must cover is the fact that compulsory third-party car insurance was introduced only two years ago—meaning a growth of 52 per cent in premiums in the first year and an 8.2 per cent growth in 1981. Costs, in many cases—still running at 15-year-old rates, were reviewed upwards earlier this year, with the heaviest falling on persistent offenders.

Even so, in a country with one of Europe's worst road accident rates and most dilapidated fleet of vehicles, a typical annual premium on a vehicle of less than 1,500 cc costs a modest Esc 4,632 (£35)—Esc 3,318 for third party risk of Esc 700,000 (£5,384), expenses and general administration fund charges of Esc 747: Esc 60 (about 50p) for the cost of policy: stamp tax of Esc 248, and Esc 250 for the card.

Last year substantial growths of premiums were registered in the main headings: life (plus 24 per cent (£4.7m), accidents at work (plus 26.9 per cent £18m); personal accidents (plus 26.9 per cent £18m); personal accidents (plus 35 per cent £3.2m); fire (plus 32.2 per cent £9.4m).

Agriculture (plus 29.2 per cent £42,469) to a total of premiums of only £2m—a very mixed of only £2m (a very 32.7 per cent £5.4m); air (plus 26.1 per cent £561,969); and Sunday (plus 42.2 per cent £7m).

Last year several new types of insurance—new for Portugal—were introduced: permanent health insurance (long-term); third-party risk in the aircraft sector; and third-party risk in the nuclear energy sector.

Crop insurance—a 1980 innovation—was expanded from its original base of grain, vineyards, apple orchards and tomatoes to include coverage for a wide range of vegetables and pulse, tobacco, nut-trees, hops, plum and olive trees.

This type of insurance is *aimed at making Portugal's conservative farmers*, who stick to crops cherished by their families for generations whether they are suitable or not for the local soil and climate, to plant the rights items in the right area at the right time of year. Premiums vary according to location and crop.

Last year the insurance companies issued a total of Esc 39.9bn ni premiums (£306m), a growth of 22.7 per cent compared with 1980. Of this the eight nationalised Portuguese insurance companies—Acoreana, Alianca Securardora, Bonanca, Mundial/Confianca, Fidelidade, Imperio, Tranquilidade and Cosec—accounted for Esc 29.3bn, with the heaviest weight, for them, in accidents at work and automobile accidents (about Esc 8.8bn each).

The foreign companies (Esc 4bn in premiums) were most active in life, car, fire and accidents at work. Of the eight Portuguese companies, the three leaders, with 15.27 per cent, 12.91 per cent, and 12.55 per cent of the market respectively, were Imperio, Fidelidade and Mundial/Confianca.

Last March, Imperio pulled off an Esc 350bn (£2.69m) premium covering the installations of the National Petrochemical Company (CNP) in the SINES petrochemical and industrial complex.

It was the largest insurance contract ever signed in Portugal with a nationalised insurance company, covering a public concern which has had more than its share of financial and technical troubles.

Traditional

As they develop a stronger base, Portugal's insurance companies are together becoming one of the country's major institutional investors, mainly in the bonds that the Balsemao Government has used to stimulate the public to invest in some of the major public concerns—Quimigal, the National Electricity Corporation and others—or in real estate, the most traditional form of insurance investment. Last year they invested Es 5bn (£39m).

Moves are now afoot to set up an insurers' association. It will be a non-compulsory, non-profit-making body designed to protect its members' legitimate *interests and stimulate further* activity in the industry. The project has the full support of the official watchdog, the INS, and is expected to bring greater independence to the sector.

Meanwhile, the INS, under its energetic and diplomatic president, Dr Rui de Carvalho, has been a strong motive force for the industry.

Its specialised training courses for people already employed in insurance, now in their third year, have waiting lists. The prevention and safety courses accepted 850 candidates last year, while the intensive courses (technical, administrative, financial, and human relations) had 432 participants in 1981 compared with 376 in 1980.

The institute publishes a magazine on insurance in general and prevention in particular. It specialises in accidents at work which, in 1980, were 528,612 in an estimated labour force of 3.5m, with 327 fatal accidents in that year alone.

Insurance has hitherto been something of a grey area largely unknown to the Portuguese public. But it can be safely said that it has made conscientious efforts to prepare itself for the competition, standards and demands of EEC membership—which cannot be said of many Portuguese activities.

Diana Smith

Sr Salgueiro: a balanced finance minister

PROFILE: JOAO SALGUEIRO

Time deals a cruel blow

THE Finance Minister, Sr Joao Salgueiro, is a man who should have been given control of the Portuguese economy at a kinder season when he might have had the time to put his own ideas into practice rather than spend it all on clearing up other people's messes.

As it is, by far the most balanced of Portugal's recent Finance Ministers is so busy baling water out to stop the ship of state from sinking that he hardly gets a chance to steer it.

Time has also been cruel to *him in that. as a true liberal* committed to getting a better social deal for his countrymen, he took over when Reagonomics ruled the Western world. That has forced him to become "Mr Cuts" in Western Europe's poorest and most backward state, where the combined effects of inflation and drastically reduced welfare budgets are especially cruel for most of the population.

Sr Salgueiro first entered the political scene as one of the bright young men picked by the late Prime Minister, Marcelo Caetano, when he succeeded Salazar in 1968. Many others joined Caetano in the short-lived experiment to liberalise the régime, among them the Prime Minister Francisco Pinto Balsemao and his predecessor, the late Francisco sa Carneiro.

But Sr Salgueiro, who had been appointed under-secretary in charge of planning, was in 1971 the first to resign when he realised that the old guard would never allow Caetano to carry out anything more than merely cosmetic reforms or to give up the colonial war in Africa.

He returned to the political limelight only after the 1974 coup, when he stepped in as deputy governor of the Bank of Portugal, an appointment designed to inject new blood while at the same time allaying fears of revolutionary change. When the Communists reached the peak of their influence in 1975, Sr Salgueiro stepped down.

Since 1976 he has served as chairman of the Banco do Fomento Nacional, the state development bank, wielding considerable influence but refusing successive offers to take up a ministerial post.

Sr Salgueiro's critics say the long time he took to join the Government, and the fact that it took him six years to choose a political party, are characteristic of a man who is incapable of making up his mind.

His supporters reply that Sr Salgueiro knows perfectly well where he wants to go but simply takes a long time to do so because he prefers to wait until everyone has been brought round to his point of view.

Impulsive he may not be, but it certainly required courage to take over the Finance Ministry in September 1981 when the electoral promises of the Democratic Alliance and their disastrous economic consequences were just coming home to roost.

As for his decision to become a member of the Social Democratic Party (PSD), he would probably still be an independent if the death of Sr sa Carniero, the party's founder, in an air crash in December 1980 had not driven him to join as an act of loyalty to a close personal friend.

Sr Salgueiro does not have his own faction of the PSD, unlike many of Sr Balsemao's *other colleagues, and is above* rivalry with the Prime Minister even though he would be well suited for the job. But he is decidedly the odd man in a Government riddled with personal and inter-party quarrels.

Attractive

He rose to the top through the Catholic Youth Movement and there has always been a suspicion that he belongs to Opus Dei, the austere Catholic lay organisation. Sr Salgueiro is not married and keeps his private life very much to himself, but as an attractive man-about-town he seems an unlikely candidate for membership of Opus Dei.

Sr Salgueiro's greatest achievement has probably been that he has actually dared to put into practice some of the painful economic remedies that his predecessors always said were necessary but hesitated to prescribe.

The 1982 budget is a good example of austerity. It represents a cut in real terms because the deficit has grown less than inflation and he promises that the 1983 budget deficit will be smaller than this year's even in nominal terms.

A pragmatic who eschews monetarism and theoretical economics, a man who prefers to convince his colleagues rather than lay down the law, Sr Salgueiro is grudingly admired for his ability to remain unruffled and he takes his weekend off whatever the crisis.

He believes in a free market economy and a strong private sector, but thinks that it always needs regulation. As long as he is Finance Minister, and as long as Portugal can still borrow on the market, he is likely to shun the help of the International Monetary Fund because the IMF's rescue plans, in his view, bring only temporary relief and fail to solve the underlying problems.

Sr Salgueiro inherited Portugal's biggest-ever balance of payments deficit, galloping inflation and an international recession he can do nothing about. He is the man best suited to bring Portugal out of *its present troubles, but it is a* pity that his talent is being used only to make the best of a bad job.

A Special Correspondent

Commercial banks stay largely the same after nationalisation

Competitive system survives

"SALAZAR pickled the existing economic and social order in a monetary jar," in the felicitous words of one writer on the Portuguese revolution.

Eight years after the collapse of the ancient régime the bruising subjugation of Portugal's economy to conflicting political ideologies has left its commercial banks in much the same pickle as before.

Prohibitive interest rates on venture capital were used by Salazar's dictatorship to protect a small capitalist oligarchy against intrusion by smaller entrepreneurs who might have developed competing markets.

Today, quantitative limits on bank lending as well as prohibitive interest rates are used in an attempt to protect future economic growth against the inflationary impact of excessive wage settlements and Government budget deficits in recent years.

Towards the end of each month, Portugal's nine nationalised commercial banks receive a letter from Professor Jacinto Nunes, the Governor of the central bank, or his deputy. The letter tells each of them individually how much aggregate credit it will be allowed to provide in the coming month, with a provisional figure for the subsequent month.

How central bank retribution affects those banks not complying fully with these credit ceilings is not wholly clear. One option appears to be the withdrawal of rediscounting facilities for any bills of exchange discounted by the banks in excess of their credit allotment —discount operations comprise the major credit vehicle of the banking system.

In practice, however, the recent evidence suggests a close respect for the ceilings, and foreign bankers to the public sector not infrequently note a shortage of liquidity there towards the end of a month.

In addition to such macro-economic constraints, the commercial banks have to operate within a highly political environment. This affects the management of their day-to-day internal operations as well as their overall asset management.

A rigid staff hierarchy with statutory salary levels does little to encourage enterprise and initiative. "People just come in and wait for 4.30 to go home," one young banker confessed disarmingly.

Ambition

Plagued with obstacles from above and below, Portugal's banks remind one of Dr Johnson's observation about a woman preaching. Commercial banking is not done well: but you are surprised to find it done at all. Moreover, many of the nationalised banks display levels of domestic competitiveness and international ambition which are remarkable in the circumstances.

A competitive banking system has undoubtedly survived wholesale nationalisation and a jarring consolidation of the pre-revolution financial sector. Like the ancient English-made trams whining and clattering around Lisbon's squares, the banks have somehow stuck to their rails—client relationships intact, personnel largely unchanged, and principal activities much the same.

Taking stock of the results of this competition, however, is no easy task. The annual reports of the banking sector are stronger on colourful graphics than informative notes to explain the more cryptic items in the accounts.

Above all, any comparative study of the banks is hindered by the fact that competitiveness within the sector extends not surprisingly to the relationship between the commercial banks and the state. The banks work uncommonly hard on their profit and loss accounts to minimise tax and dividend obligations.

The accompanying tables, for instance, show banks with 1981 gross earnings of $280m-$500m equivalent presenting profit and loss statements with no tax payment higher than $1.4m. Retained earnings in both 1980 and 1981 are at most 3 per cent of gross earnings and in many cases much less.

Three banks had not reported for 1981 at the time of writing. But features arising from the sector's accounts for 1980 and 1981 include:

● Gross earnings relative to net assets have stayed remarkably uniform for all the banks at around 14 per cent—up slightly on 1980 figures;

● Rapid growth in net assets has easily outrun the pace of inflation and has exacerbated the marked undercapitalisation of the banks: 1981 assets so far announced have shown an average increase of 32 per cent;

● A huge expansion of the deposit base behind this assets growth has been heavily biased towards high-yielding time deposits rather than current/short term accounts—1981 time deposits grew on average nearly 50 per cent, against 16 per cent in the other category;

● The banks have had difficulty in harnessing their swollen deposits. In 1980, credit advances were on average 77 per cent of total deposits. This figure for 1981 already looks several percentage points lower. Cash and central bank deposits, just over 6 per cent of assets in 1980, are up to about 8 per cent for 1981;

● Heavy provision charges for depreciation and loan losses (and "sundry risks" in at least one case) continue to divert 6 to 8 per cent of gross earnings before they reach the bottom line—itself a very notional concept anyway.

Subsequent reductions in the largely superfluous provisions are a significant item in most of the banks' abbreviated statements on the movement of their reserves — the item is almost treble the retained earnings figure in the case of Banco Borges & Irmao.

This last point suggests the difficulty of assessing relative performances. Three criteria appear to sway the views of local bankers themselves. They judge a bank according to its success in absorbing surplus staff, in pursuing new domestic banking ideas, and in building up an international presence.

Its primacy in the City of London gives Banco Totta and Acores a higher profile than most. But two banks stand ahead of the rest. Banco Espirito Santo has recovered remarkably from the revolution, which set back its fortunes more than most. Banco Portugues do Atlantica (BPA) is the largest and, by general consensus the most successful of them all.

On the staff front, BPA has devised incentives for its senior management by creating a "central management team" paid well in excess of statutory salaries. In retail banking it has tried to respond to the critical shortage of banking facilities for the agricultural sector: its branches contain one "green counter" each for use by farmers only, and loans to this sector have priority.

Abroad, BPA is very profitable in Macao and expects to derive 20 per cent of its cash flow in 1982 from international business.

Each of these developments has a special significance in that where BPA leads the rest of the Portuguese domestic banks tend to follow. It is also notable, therefore, that BPA has now been advised for several months by McKinsey and Co, the U.S. consultancy, on the installation of an electronic data-processing system.

Modern office technology is not, politely speaking, the forte of the Caxia Generale, the major state savings bank included in the accompanying tables with the commercial banks. But the Caxia has grown as quickly as the banks, is still bigger than any of them, and has even begun to borrow funds from the inter-bank market to support its loan portfolio.

Important

"We have not suddenly become more important," says Sr José Mascarenhas, a director of the Caxia. "It is just that people now realise how important the Caxia is today—and was before."

As a branch of the public administration, 11 per cent or so of its deposits come from the courts and the central government. The Caxia provides about half of the country's term debt needs, much of its local government project financing, and about 70 per cent of its house loans market.

It therefore says much about the Portuguese banks as well as the Caxia itself that some of the 240 branches of the Caxia are still without a telex.

Duncan Campbell-Smith

BALANCE SHEET STATISTICS
As at end-1981 unless marked *
(Escudos bn)

	Total net assets	Cash and deposits	Credit advanced	Current account and sight deposits	Time deposits	Capital and reserves
Caxia Geral de Depósitos*	322.50	17.28	219.43	65.4	159.39	15.99
Banco Português do Atlantico*	232.40	18.63	132.39	51.3	123.10	3.94
Banco Pinto and Sotto Mayor	247.46	19.15	157.50	46.4	147.00	4.70
Banco Espirito Santo and Commerciale de Lisboa	228.80	19.19	125.00	55.3	122.20	4.99
Banco Totta and Açores†	207.77	13.21	133.00	46.89	120.03	3.58
Banco Nacional Ultramarino	210.46	12.99	90.68	47.32	104.82	3.74
Banco Borges and Irmão	183.20	14.41	116.89	31.98	119.18	2.25
União de Bancos Portugueses	153.26	14.43	88.98	39.99	94.67	3.34
Banco Fonsecas and Burnay*	80.90	6.28	52.29	28.90	40.12	2.41

* as at December 31 1980. † as at September 30 1981.

PROFIT PERFORMANCE
For year ended 31/12/81 unless marked *
(Escudos bn)

	Gross earnings	Gross earnings as % of total assets	Credit advanced as % of total deposits	Tax paid	Total provisions	Retained earnings
Caxia Geral de Depósitos*	39.56	12.3	97.4	0.005	6.39	3.46
Banco Português do Atlantico*	27.12	11.7	75.9	0.63	2.20	0.6
Banco Pinto and Sotto Mayor	36.40	14.7	81.4	0.10	2.04	0.7
Banco Espirito Santo and Commerciale de Lisboa	30.50	13.3	76.4	0.082	2.54	0.9
Banco Totta and Açores*	18.55	12.4	81.2	0.03	1.42	0.2
Banco Nacional Ultramarino	23.05	11.0	66.7	0.006	1.38	0.2
Banco Borges and Irmão	26.80	14.6	83.5	0.02	2.03	0.2
União de Bancos Portugueses	20.35	13.3	68.1	0.008	1.25	0.1
Banco Fonsecas and Burnay*	9.20	11.4	75.8	0.008	0.66	0.04

* For year ended December 31 1980. Source: Annual reports.

Foreign banks bide their time

THIS YEAR has not been the most favourable time for the foreign bank representative offices recently set up in Portugal.

Some pioneers like the Banque Nationale de Paris (BNP) moved in as long ago as 1974. But most of the U.S., British, Brazilian and, most recently, Japanese banks (the Bank of Tokyo) have arrived in the past few years, attracted by the prospect of liberalised legislation, Portugal's impending membership of the European Economic Community and more active relations between Portugal and her former African colonies than were possible in the early years after hasty decolonisation.

There are now about 10 representative offices, duly authorised by the Portuguese Government, while a few others are quietly awaiting permission to begin.

This is all that newly arrived foreign banks can do under the restrictive legislation derived from the 1976 Socialist constitution: hopes of creating full branches, whether wholesale or retail, must remain unrealised until that constitution is reformed.

The lack of clear political and legislative definition from which 1982 has so far suffered is particularly uninspiring for the banking community. A constitutional review had been promised for April, but it is unlikely to be completed before October. It should have begun to create common laws that would re-open banking, insurance and some areas of manufacturing like cement and fertilisers to new private capital, national or foreign.

Negotiations with the EEC should have accelerated to a point where crucial industrial dossiers and the right to establishment by Community enterprises, without or with transitional periods, should have been close to settlement.

Had these matters been handled methodically and with some sense of urgency the foreign bankers would by now have a much clearer notion of what to plan for the near and less near future. Instead they had to bide their time.

The Portuguese Government seems amenable to granting permission for representative offices to a fair number of applicants. It is clear, however that the more consistently the applicant has been involved in Portuguese business the faster the authorisation is likely to be granted.

What is still unclear, especially because of the painful slowness of EEC negotiations, is not only how many full branches the Government might authorise when legislation is amended but how many banks will be keen to open full branches later on.

At present there are three full foreign operations. These are hangovers from pre-revolutionary times when foreign banks could operate retail and wholesale business. The Credit Franco-Portugais (Crédit Lyonnais) and Bank of London and South America (Bolsa) handle, between them, only 1.5 per cent of aggregate deposits of the Portuguese banking system. The third, the Bank of Brazil, has traditionally been even smaller.

Like the Portuguese banks, the three full foreign operations are restricted by today's severe credit ceilings, must conduct tightly-regulated foreign exchange transactions, and face a sluggish investment mood. Last year the representative offices showed some keenness to get going and move into top gear. This year the mood is bearish.

The trouble seems to be that much-heralded diversifications of the markets are still over the horizon. Feasible novelties like investment and leasing companies, though they show some signs of life, suffer from legislative vagueness.

These tools may not be supplied, by courtesy of a slow-moving Parliament subject to pressures from several dozen directions at once, for at least a year. There is a strong Portuguese mood of irritation with foreign impatience to see important economic and legislative changes, coupled with protraction of the very delays that madden many foreigners.

Diana Smith

Foreign debt tops valuation of gold reserves

Borrowing worries IMF

LAST DECEMBER marked an important watershed for Portugal's external debt position. Its steadily rising level of foreign borrowings topped the $10bn *official valuation* of its gold reserves.

The long-term implications worry many observers, including the International Monetary Fund, which features comically in hostile Lisbon street graffiti as "FMI." Last August, the IMF offered Portugal a $1bn extended facility over three years — which the present Finance Minister cancelled after a draft letter of intent had been signed. But the IMF's concern over Portugal's current borrowing needs is real enough.

The extended facility was designed for infrastructural development. The current borrowings stem mainly from a serious balance of payments deficit: $2.6bn last year. The country is importing two-thirds of what it eats, while imported oil still accounts for 80 per cent of its energy consumption.

Portugal had an earlier balance of payments crisis four years ago: the 1978 deficit, at $1.5bn, was about 10 per cent of GDP. On that occasion, the Government took radical measures, cutting the country's growth rate by about 1 per cent to arrest overheating of the economy.

The favourable results deeply impressed the IMF. In 1979, Portugal's current account was more or less in equilibrium.

Destabilisation

That crisis can easily be seen now as the product of a temporary political destabilisation.

There are *similarities* in the present crisis, notably one-off factors like the expansionist policies of the Government in late 1980 and the serious drought last year. Even so, last year's payments deficit followed a $1.1bn figure in 1980 and the trade balance deficit went from under $150m to $4bn in 1980 and $5.64bn in 1981.

This is a trend which suggests a structural impasse to some observers—hence their concern at the $10bn debt position's significance for the longer term.

International bankers have a notorious disregard for the longer term. The alternative significance of the $10bn figure is that it no more than matches the gold reserves. Indeed, as bankers are quick to point out, Portugal's 689 tons of the precious metal are valued officially at $255 an ounce, which improves the country's net position still further.

Professor Jacinto Nunes, the governor of the central bank, says future gold sales are now ruled out and the last vestiges of past collateral claims on the gold expired on June 4.

The result is that international bankers are busily flying to and from Lisbon, anxious to expand their portfolios in a developing country which has relatively little past exposure in Western markets.

This situation strikes not a few observers as rather curious. In many respects Portugal resembles a newly rich Arab state, full of ideas for creating a modern economy and keen on the trappings of capitalism but none the less deeply suspicious of truly free markets.

Indeed, the fascination—and not uncommonly the frustration—of the financial system for foreign visitors is the fact that its participants have so few fixed ideas about its future and the barest commonplaces of capitalism are openly debated. Despite all this, Portugal is undoubtedly viewed as a sovereign credit comparable with others in Western Europe, if rather less select than some.

This was strikingly illustrated last month by its success in negotiating a ⅞ per cent spread over LIBOR for the last two years of a $300m medium-term credit syndicated in the Euromarket.

Whether it was prudent to hold out for such fine terms *is another question. Most of the* credit carried a ½ per cent spread and there were heavier than usual front-end fees. The reduced portion of the spread was to a great extent cosmetic, but was still held generally accountable by the market for the fact that the credit was only part sold down with some difficulty.

This could prejudice slightly the Euromarket's reception of future borrowings by Portugal. The matter will not be put to the test for some time, though, in view of the Government's plans for the remainder of the year.

In addition to the $300m credit it has already raised DM300m ($130m) through a domestic club deal with a group of West German banks led by Commerzbank. It has scheduled a D-mark bond issue for $50m equivalent which is expected in the early autumn.

There are also plans for a yen-denominated bond to a maximum value of $50m to be privately placed in October by the Industrial Bank of Japan.

Repayable debt

As the wide geographical spread of these operations would suggest, Portugal's debt programme has two main priorities at present. The first is to diversify its currency risk away from the dollar. The second is to extend the maturity schedule of its debt as far as possible, which private deals can facilitate.

Over one-third of the country's existing debt is repayable in the short term, reflecting in part the approaching maturity of several major loans arranged in the mid-70s.

Professor Jacinto Nunes says the possibility of raising Swiss franc or sterling debt was carefully examined. The West German market was preferred for 1982. But there are plans for new bond issues next year, "perhaps in D-Marks, perhaps something else, even a samurai bond."

Nor, to judge from the number of U.S. regional banks now showing an interests in Portugal, are the options restricted to the Euromarkets. "A dollar credit syndicated in the domestic New York market would certainly be a coup and it does look a possibility," said one international banker.

This belittles any damage done by last month's fine Euromarket terms. In the short term, though, they may still have some adverse effect on credit operations by companies in the Portuguese state sector.

Several of these companies *are regular international* borrowers and this year they are expected to raise about £2bn in all. Some require the guarantee of the republic, other do not. The others include EDP, the state electricity company which has cultivated good relations with the banks over the years.

For this reason EDP's reception by the market earlier this month was probably a poor indicator of the mood towards Portugal. But it did do well, with a $100m credit offering a ¼ per cent spread over six years and ⅝ per cent for the last two years.

The state companies are, in theory, autonomous. In practice, they accept the guidance of the central bank, which lays down a maximum spread of ⅞ per cent on LIBOR credits and a ½ spread on U.S. dollar prime rate fundings. The latter is used mainly for six-month trade financing dollars which the central bank obliges state sector importers to arrange even where they have sufficient Escudo resources.

Bankers suggest that official rate ceilings are not too onerous a constraint. "Importer and supplier can agree to inflate the invoice slightly," said one banker. "That way, a confirming house providing funds via a discounted bill can get more for his ⅞ per cent." To what extent some Government export guarantee agencies are aware of this is a moot point.

Far more important to Portuguese companies incurring dollar debt is the future of the Government's escudo devaluation policy, though foreign exchange risk cover is in theory now available from the state.

Portugal is now devaluing its currency by ¾ per cent per month against a basket of 17 currencies weighted to the country's non-oil imports. Some voices in the Bank of Portugal advise that this still not enough to cope with the country's current inflation rate.

Duncan Campbell-Smith

Warm welcome for foreign business

Willing workers win praise

NOT THE least remarkable aspect of the Portuguese Revolution in the 1970s was its *discrimination in favour of* foreign business and finance.

Today, the prospective investor in Portugal can still expect a warm official welcome. He will then have to weigh the enormous advantages of an ideally-placed, low-cost country *against the familiar headaches* and uncertainties of working within an under-developed and over-centralised economy.

His low asking price is but one virtue among many widely attributed to the Portuguese worker, but it is certainly the most important. Real wage rates are extraordinarily low. Western diplomats in Lisbon juggle with discount figures of 30-50 per cent against those of their own countries.

The French have the biggest foreign presence in the country at present. There are also many West German companies, some of them familiar multinationals like Siemens and Hoechst.

Key industries

The U.S. presence is inevitably dominated by Detroit's plans in the region. Besides GM, Ford has now submitted to the Portuguese Government its proposal for a huge $1bn plant.

The Japanese, too, are coming. Mitsubishi has a large representative office. A smattering of Japanese equity participations in several key industries indicates that the wheels are turning in Tokyo towards a greater mobilisation.

All these national groups can be heard singing the praises of a dedicated local work force.

Texas Instruments operates in 35 different countries and puts Portugal's productivity among the top two or three—happily for its standing in Lisbon, where the U.S. company's perceptiveness is fondly cited at the drop of a hat.

West German businessmen have been similarly impressed. "You won't find many people here on a low or medium-level who have a good formal education," said one observer. "But they are dedicated. German companies say that with good management they can obtain the same productivity in Portugal as at home."

This kind of experience at a local level is reflected in the macroeconomic statistics, which assign Portugal the third highest GDP growth rate among OECD countries over the decade 1970-80.

Such statistics, on the other hand, give no clues about other less happy aspects of the foreign investor's life in Portugal.

Every foreign company in the country is aware of the pitfalls encountered in dealing with a horribly complex Portuguese bureaucracy. Import payments licensing is regarded as a particular bane.

Treasury operations are another difficult area. "Every big foreign company has to confront the credit ceilings by having lines with all the banks," said one foreign banker in Lisbon. "The resulting cash flow can be a nightmare."

Price controls, regulated operating margins and Government subsidies are a third area of concern.

The official attitude towards price controls, for example, strikes foreign businessmen as inconsistent. In more general terms, the impression endures of a Government painfully torn between the attractions of centralised planning and of a market economy.

With so much state regulation in key matters such as import licences and credit allocation, foreign companies have reason to worry about the influence of corruption on their activities. Diplomats in Lisbon, however, generally agree that it is not a major problem.

It would be uncharitable to suggest that this is because Portuguese politicians and senior officials are more preoccupied than most with the bare difficulties of holding on to power and influence in such a fluid political setting.

Publications

Alternatively, perhaps, an explanation might be the inordinate demands made on their time by having to read and understand official publications on trade and investment.

Foreign investors are offered a huge range of tax incentives, capital grants and subsidies. But together they form a great Rubic Cube of state edicts and there is no adequate guide on how properly to align them.

An "Integrated System of Investment Incentives" (SIII) has been prepared by the Banco do Fomento Nacional, the state development bank. But unfortunately the explanatory booklet is a spirited exercise in gobbledygook.

An official code is published by the Foreign Investment Institute (FII), which has supervised about 1,000 projects since early 1978.

Sr Vaz Pinto, the head of FII, is an enthusiastic salesman and an indefatigable traveller for his country.

"Some people think we are a sort of Bangladesh of Europe," he says.

But Portugal is now putting that right, and its prospective membership of the EEC will clearly be an increasingly important selling point for the future.

D. C-S.

Duncan Campbell-Smith discusses the plight of entrepreneurs

Entrenched bureaucracy hinders new ventures

SR MICHEL DA COSTA still owns one of the best restaurants in Lisbon. But the 1974 revolution pre-empted his plans to open other restaurants with financial backing from Banco Espirito Santo and even his existing restaurant was taken over by the Communist Party for 2½ years in the mid-1970s.

So Sr da Costa has been trying to diversify his business interests with one or two new ventures.

It has been a struggle. The main problem for Sr da Costa, as for other entrepreneurs big and small, has been the torpid and impenetrable structure of the Portuguese financial system.

The restaurateur set out with two partners in May, 1981, to set up a boiled sweets factory in Madeira. The project required some capital from the commercial banks plus trade financing and Government clearance to import machinery from Baker Perkins International of the UK.

The financing took six months to arrange, according to Sr da Costa. It then took another six months to draw up letters of credit through a Madeira bank branch with poor telex communications, let alone any access to computer facilities. The machinery was finally delivered and installed over two weeks at the end of last May.

Such stories are still ten a penny in Portugal, despite intermittent attempts by the Government to reduce the weight of official regulations such as those which tied Sr da Costa to his Madeira bank, for example, and led to an endless scrutiny of his import requirements.

The structure, however, is only partly of the Government's making (or unmaking). This was brought forcefully home to Sr Alvaro Barreto, a former Minister of Industry who has now taken his formidable talents back into private industry.

As a minister he helped draw up as simple a programme as possible to provide grants to companies investing in energy-saving projects. As the director of a chloride manufacturing company with 60 per cent of its costs going on energy, Sr Barreto is now on the other end of the programme—where it appears far from simple.

His company sent in all the appropriate forms last August. Ten months later, they are still circulating around the Government bureaucracy in Lisbon.

The key problem as Sr Barreto and many others see it is an entrenched bureaucracy with a long tradition. It is this tradition with which any financial structure imposed from above must grapple.

High-handed

A high-handed approach by authoritarian government was Dr Salazar's remedy and was the ultimate rationale for his 40 years of political dictatorship. The search since 1974 for an alternative has been a remarkable political achievement, but it has so far failed conspicuously to reinforce any financial system against the encroachments of that bureaucracy.

Quite the opposite, say the system's critics. "The Communists and Socialists thought that controls would be synonomous with an efficient direction of the economy and more controls are still coming in," says Sr Barreto.

Removing most of the free market signals and constraints, in the critics' view, has left the financial system increasingly exposed to bureaucracy and adrift without the invisible hand of market forces to give any real sense of direction.

Hand or five-thumbed artificial limb, the state's supervision of the system is certainly not invisible. It is conspicuous in every aspect of banking and finance.

It has decreed, in the first place, a sector which is heavily dominated by the central bank, Bank of Portugal, though hardly lacking in other supervisory bodies of ubiquitous presence, notably the Department of Central Planning and the Department of Tax and Revenues.

They preside over nine nationalised commercial banks, each of them with 18 staff levels between doorman and general manager and standard pay differentials. Their main adjunct is the Caxia Geral de Depositos the "Caxia" which is the state savings bank.

Credito Predial Portugues is primarily an agency to provide mortgage credit facilities. Banco de Fomento Nacional (BFN) is a powerful state development bank, while there are also several other smaller and more specialised credit institutions.

The second major aspect of state control is that the terms and allocation of all commercial loans and specialised credit are effectively decided by the authorities. As a result, the banks restrict themselves for the most part to giving short-term credit by means of a range of discounting facilities. Term debt is mostly provided by the Caxia and BFN.

An elaborate matrix of rates and maturities is centrally determined to channel capital into such areas as agriculture, energy and manufacturing for export. The system is further complicated by a welter of subsidiaries and grants aimed at buttressing it where the effect of market forces appears most contrary. About one third of commercial lending is subsidised to the tune of 6-7 per cent on average.

Third and most important of all, state control means a tightly regulated structure of interest and foreign exchange rates. There is an upward yield curve which rises like a cable car on one of Lisbon's steepest streets—the true reflection, even in a regulated system, of a banking network awash with deposits set in an economy struggling for lack of long-term investment.

Rates rise from a few per cent paid on demand deposits to today's 14½ per cent on 30 day deposits and a central bank base lending rate of 19 per cent. Three-month and six-month lending rates have been 23-26 per cent since April. Tax privileges help to produce yields over 21 per cent on 7-10 year Government bonds, a major source of public sector funding.

Pragmatism has prevailed in some parts of this system, such as the reasonably efficient market for interbank funds which alone has escaped overt regulation. Heath Robinson remains the patron saint of the system as a whole, however, and curious anomalies abound.

The most serious spring quite simply from the absence of vehicles for investment. Most of a bank's ordinary customers have little real alternative to putting their money on deposit.

Then the bank itself can often do little with the cash: central bank monetary curbs stop it lending the money; it can redeposit the money with other banks in so far as they are temporarily illiquid, but their general situation is exactly the same; or it can purchase public-sector bonds for which there is a limited secondary market.

Without alternative investments the curbs on lending produce excess liquidity. Excess liquidity means the central bank cannot use the interbank market for monetary purposes. With limited fiscal and market instruments at its disposal, the central bank's monetary control has to fall back on more curbs on lending.

More pressing

Against this kind of background it is hardly surprising that the problems of a rampant bureaucracy have grown more rather than less pressing, as both Government officials and bankers in Portugal readily acknowledge.

Continuing efforts to curtail the bureaucracy, therefore, are now being accompanied by moves towards a fundamental readjustment of the post-1974 financial system itself—though how much impact any centrally-prescribed remedies will have on the underlying problem is keenly debated in Lisbon.

The remedies are aimed at a gradual reinstatement of open market forces. Central bank teams have gone off to foreign capitals to study their exchange markets and a spot market for the banks is planned. Investment parameters have been changed for the insurance companies, dictating that no less than a 40 per cent portion of their investment portfolios should be put into Treasury paper and the bonds or shares of Portuguese companies.

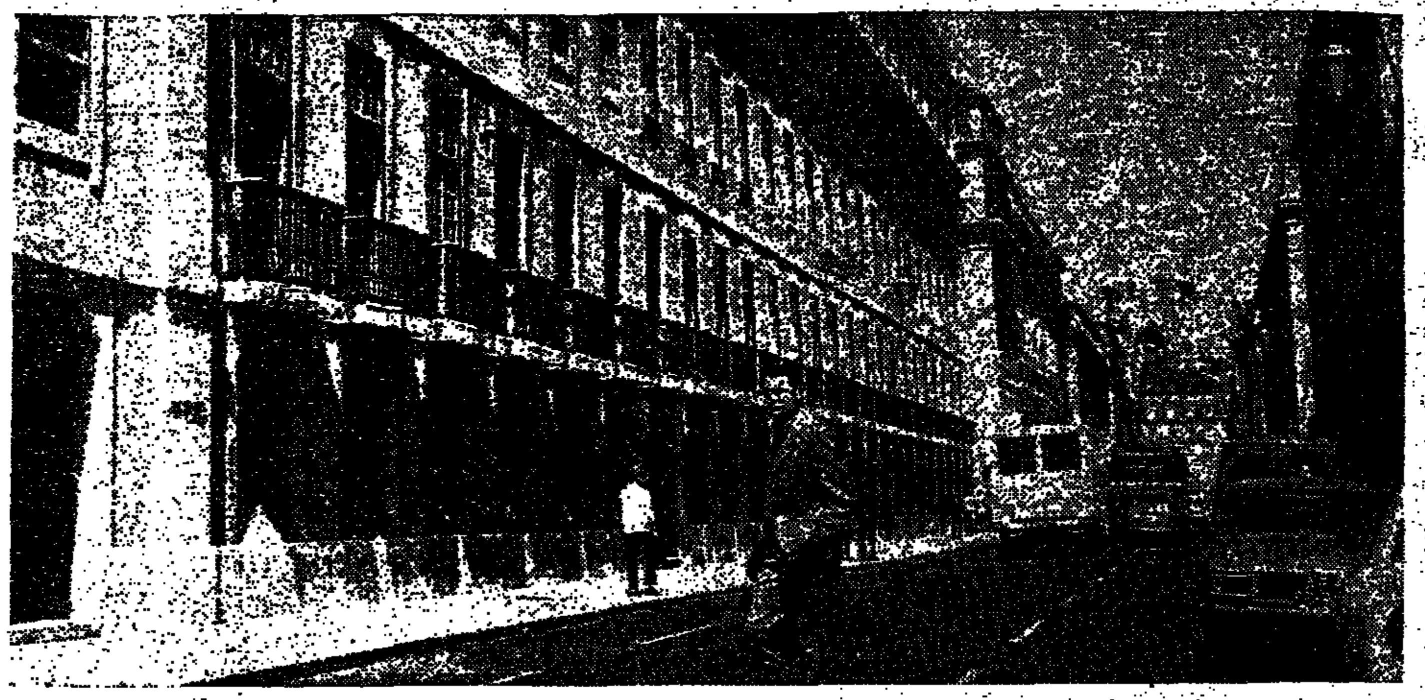
Bonds have finally been issued in compensation for past nationalisations. More to the point, incentives have been offered for the secondary trading of those bonds. Professor Paul Meek, an expert from New York Federal Reserve, has visited Lisbon and been asked for his advice on the improvement of money and capital markets.

Two big obstables loom and there are putative solutions for both.

The first is that a system wearied by bureaucracy and disillusioned by the fumbling of recent years will just not respond to market disciplines. Officials explain hopefully that the currently proposed changes to the constitution will allow foreign banks to play a vital role as a catalyst in the establishment of modern financial markets. Spain's development in this respect is often cited as exemplary.

The second threat is rather the opposite: that a combination of inflation and open markets will prove too heady for Portugal's politicians once under way and might excite anxious second thoughts.

Against this possibility, Portugal's prospective membership of the EEC appears to be endorsed by Lisbon's bankers with unanimous accord.



Headquarters of the Bank of Portugal—there is little on the outside to differentiate it from other banks

Reputation has been enhanced by the revolution

Bank of Portugal tackles burden of monetary policy

AS BEFITS a maritime trading nation, the Bank of Portugal is situated down by the River Tagus in the commercial heart of Lisbon.

Its headquarters occupy a discreet but elegant rectangular block on one of the several streets leading off the Praça do Commercio, laid out by the famous Marques de Pombal after the great Lisbon earthquake of 1755.

All around it are the other bank offices, though several have moved their main operations uptown to modern blocks. That there is little on the outside to differentiate the Bank of Portugal from the others emphasises the fact that historically it was very much one of them.

The bank, which is 134 years old, began to assume its full role as a central bank only at the time of the 1974 revolution. Until then it had been 51 per cent owned by the state and 49 per cent by private interests. While its professionalism was never in doubt, it tended to act in formulating and controlling monetary policy in tandem with the private banks—or at their behest.

Furthermore it administered jointly the Escudo zone, which covered Portuguese territories overseas, along with the Banco do Angola and Banco Ultramarino. The Bank of Portugal's responsibility was Europe, while Ultramarino covered all Portuguese overseas territory save Angola.

With the loss of the African colonies after 1974 the Escudo role has been diminished. But, interestingly, the Bank of Portugal has no direct control over the remaining colony, Macao, whose currency, the pataca, is now to be administered by a newly created currency board aided by Ultramarino.

Pivotal role

Since the revolution the Bank of Portugal has become pivotal in the country's economic management. A series of weak and changing governments have placed increasing burdens upon Bank of Portugal monetary policy as a means of controlling the economy. Without the bank playing this role successfully it is hard to imagine where the Portuguese economy would be today.

There have been occasional complaints against the bank for being too political and having too many Socialist sympathisers in its middle ranks. But in general the banking and business community is grateful that at least one Portuguese institution has survived the revolution with its reputation enhanced.

The present Governor, Sr Manuel Jacinto Nunes, regards himself as an independent technocrat.

One of the most interesting features of the central bank's policy has been its encouragement of the nationalised banks to retain their separate identities. This has meant that they have maintained a healthy sense of competition even though they have a single owner, the state.

But the Bank of Portugal has been obliged to play an interventionist role to ensure the health of the banking system as a whole, and at times this has put a strain on relations with the other banks when they are co-opted into buying Government paper or obliged to accept credit ceilings.

The monthly fixing of credit ceilings has become the most important single means of controlling the Portuguese economy.

Robert Graham

LONDON STOCK EXCHANGE

International and domestic troubles affect business again and leave all markets in depressed state

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
June 7	June 17	June 18	June 28
June 21	July 1	July 2	July 12
July 5	July 15	July 16	July 26

* "New time" dealings may take place from 9.30 am two business days earlier.

The troubled international and domestic scene presented too many imponderables for investors and the continuing dearth of interest yesterday was held largely responsible for the depressed state of London stock markets.

Continuing uncertainties relating to the Falklands and the Lebanon, current disputes on the domestic pay front and the threat posed by rising U.S. interest rates to sterling and other European currencies, all of which weakened again yesterday blunted investment enterprise.

Neither of the main investment areas encountered sizeable selling. Leading shares were marked down at the opening as a protective measure by dealers who had no wish to add to already adequate book positions. "New-time" inquiries for the trading Account starting next Monday rarely led to actual business and values retreated further on little more than scattered selling. The market later became uneasy about Wall Street, the fears proving to be justified when that centre fell *to a new 1982 low early yesterday*.

Even tentative recoveries were not attempted in London until the after-hours' trade when selected industrial leaders edged away from the lowest. The FT Industrial Ordinary share index closed slightly above the day's worst with a fall of 9.1 at 559.4, representing a drop of 34.6 in the last seven trading sessions.

Gilt-edged securities reflected concern about sterling, the continued fall against the dollar erasing faint hopes about another early cut in UK base lending rates. Routine selling found buyers extremely reserved and the market willing only to absorb stock at gradually declining prices. The trend steadied before the official 3.30 pm close but fresh dullness returned after-hours following further weakness in the pound. Quotations closed at the day's lowest with the longs showing falls to ½ and the shorts ending ⅛ off in places.

The Gold price fall to its lowest since August 1979 depressed South African mining and associated shares, and the FT Gold Mines index came back 7.9 to a 31-month low of 203.2 which compares with January's 1982 peak of 302.0.

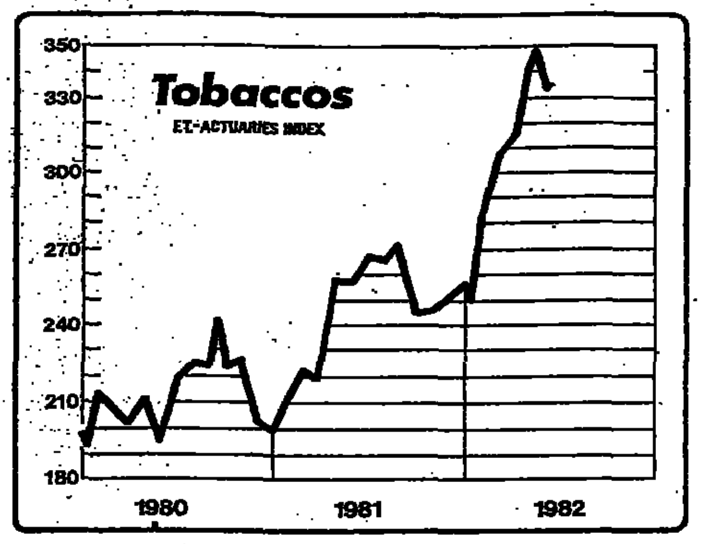
Discounts dull

Receding hopes of a further reduction in interest rates and the dullness of gilts combined to bring about double-figure declines in Discount Houses. Cater Allen fell 15 to 300p, while losses of 10 were recorded in Alexanders, 225p, Gerrard and National, 278p, Seccombe Marshall and Campion, 220p, and Union, 450p. Of the smaller-priced issues, King and Shaxson cheapened 5 to 90p, Jessel Toynbee 4 to 52p and Smith St Aubyn 3 to 29p. Elsewhere in the banking sector, Bank of Scotland lost 7 to 373p. Midland, however, gained 4 to 336p.

After Wednesday's late speculative rise of 7, Minet eased to 201p on the first-quarter figures before closing 5 down on balance at 204p. Elsewhere in Lloyds brokers, Sedgwick fell 7 to 180p and Willis Faber cheapened 8 to 472p. Life issues succumbed to profit-taking with the recently popular London and Manchester closing 10 down at 320p.

Waning interest rate optimism induced scrappy selling in Buildings, Barratt Developments shedding 7 to 293p. Currency influences continued to unsettle Blue Circle and BPB, the former losing 6 for a two-day fall of 16 to 442p and the latter 4 for a drop on the week so far of 42 to 414p.

Cautious Press comment and the announcement of the group's deal with BP Chemicals saw ICI react to 312p before closing a net 4 down at 316; 6.9m more ICI workers' shares are listed from today. British Petroleum also closed 4 down, at 304p.



A. Caird jump

An isolated bright spot in an otherwise dull Stores sector was provided by A. Caird, which jumped 65 to 365p on details of the capital reorganisation and proposed acquisition by Parque Investment, a newly-formed investment holding concern, of a 37 per cent stake in the company at a price of 335p per share. Bakers Household, however, dropped 16 to a 1982 low of 118p on the lower profits and cautious remarks about first-quarter trading; Polly Peck gave up 5 more, at 325p; the interim figures are scheduled for next Wednesday.

End-Account selling ahead of next Wednesday's annual figures saw Ferranti touch 695p before closing 12 down at 715p. Security Centres fell 7 to 139p, after 133p, following the announcement that the chairman, Mr T. S. Jamieson, had placed his entire 1.1m shareholding, while Ward and Goldstone continued to retreat on the profit warning, closing 3 down at a 1982 low of 67p, which compares with the price of 102p only a week ago. AB Electronic gave up 10 to 300p, and United Scientific relinquished 15 to 360p. Among the leaders, Plessey softened a few pence to 457p as did Racal, 417p and Thorn EMI, 412p, while BICC lost 8 at 330p. Against the trend, Cable and Wireless added 4 more to 372p and J. Hadland gained 10 to 100p.

Selective selling was again evident in the Engineering sector, sentiment not being helped by recent downgrading of profit estimates for leading issues such as TI and GKN. Hawker, still reflecting the cautious tenor of the chairman's annual statement, remained on offer and fell 9 more to 321p. GKN shaded a penny further to 150p, while TI eased a couple of pence to 116p and Vickers gave up 4 to 143p. Against the trend in secondary issues, Staveley responded to annual results with a rise of 8 to 254p. In contrast, Howden Group met offerings and reacted 5 to 148p, while falls of 4 were common to Babcock, 101p, B. Elliott, 50p, Westland, 118p, and Clayton Son, 68p. Among smaller-priced issues, Birmid gave up 3 to 29p, but Gartons hardened a penny to 25p on news that contracts had been exchanged for the sale of the remainder of the company's land and properties at Warrington, Cheshire, for £120,000 cash.

Foods went with the general trend. After the previous day's jump of 8, profit-taking in the wake of the excellent preliminary results left Tesco 2 cheaper at 63p. Northern Foods shed 4 to a 1982 low of 119p on lack of interest, while British Sugar gave up 15 to 455p and Brooke Bond 2 to 49p. A couple of pence cheaper initially, Alpine Soft Drinks rallied to close a penny dearer on balance at 73p on second thoughts about the annual results. After Wednesday's subdued resumption of trade following the flop of the tender offer, Argyll moved between 75p and 79p before closing unaltered at 77p; the Warrants ended a fraction dearer at 11½p, after 13p.

Among Hotels and Caterers, Ladbroke lost 4 to 152p and Trusthouse Forte 2 to 122p; the latter's interim results are due next Thursday. Brent Walker gave up 4 to 64p awaiting today's preliminary results, while Stakis shed a penny to 66p, after 65p, on the announcement that Mrs Anastasia Stakis had reduced her stake in the company to 5.2 per cent and the deemed interest of her husband to 14.5 per cent.

Glaxo retreat

Miscellaneous industrial leaders took a distinct turn for the worse. Glaxo, a recent high-flier on consideration of the U.S. profit potential of its Zantac anti-ulcer drug, met profit-taking and fell to 690p before finishing a net 16 lower at 691p. Unilever sustained a fall of 15 at 565p, while Reed International lost 6 to 304p as did Reckitt and Colman, 288p. Turner and Newall softened 2½ to 60p, after 59p. Channel Tunnel fell 20 to 123p on the announcement that the decision on the "chunnel" project had again been deferred, while interim figures in line with expectations failed to inspire English China Clays on a dull day and the close was 4 cheaper at 167p.

A Press suggestion of a pending £15m rights issue left Chubb a few pence lower at 110p, while end-Account offerings prompted falls of 12 and 13 respectively in Henry Boot, 265p, and Extel, 325p. EMI gave up 7 to 158p as did Beatsbell, to 376p. Cole Group at 39p, lost 5 of the recent rise which followed news that the Bajau had increased its shareholding in the company to over 11 per cent. Mettoy and the Deferred eased a penny more to 6p and 5p respectively on nervous selling in the wake of the Lesney receivership. Against the trend, Amber Industrial were outstanding with a rise of 6 to 40p, after 43p, following the excellent results.

Fresh concern about falling Holiday bookings left Horizon Travel 7 down at 195p and Saga Holidays 8 lower at 158p.

Lucas came on offer in Motor Components and shed 6 to a 1982 low of 178p. Automotive Products gave up 3 to 44p following the chairman's cautious statement at the annual meeting.

East Midland Allied Press A lost 3 to 87p following the preliminary results. Other Newspapers were also dull.

Oils lower again

Property issues continued the recent downward drift, Land Securities losing 2 more to 276p and MEPC another 8 to 186p. Lynton closed 4 cheaper at 206p, the increased annual profits eclipsed by disappointment with the asset value. Reports that Control Securities is willing to sell its stake in Second City Properties left the latter 2 easier at 56p. Hardanger Property gave up 4 to 103p and Morland Securities 3 to a 1982 low of 45p: both companies are dealt in the Unlisted Securities Market.

Still reflecting Middle East uncertainties, Oil shares continued to drift lower in quiet trading. Shell reacted 8 further to 404p.

Reflecting acute disappointment with the lower annual profits, Inchcape fell 23 to 270p. Elsewhere in Overseas Traders, S. and W. Berisford gave up 7 to 129p on further consideration of the results.

The preliminary results from British and Commonwealth, which were accompanied by a one-for-ten scrip issue, came up to market expectations but profit-taking left the quotation 13 lower at 455p. Other Shippings trended easier.

Trusts gave ground, with Caledonia Investments, reacting 7 on 418p after the preliminary figures.

Dawson International reacted 6 to 125p despite the increased dividend and profits, recent enthusiasm being tempered by the cautious statement on the outlook. In common with other market leaders Courtaulds eased 3 to 77p.

Financials weak

South African Financials came under most pressure in generally depressed mining markets, with widespread selling reported from all quarters. Gold fell steadily during the day and closed $11.75 down at $305.5, the lowest level since August 1979 and the biggest one-day fall since last April.

The gold-based Financials were hardest hit, with "Amgold" down 1½ to £27½ at a 1982 low. Gold Fields of South Africa, £21½, and "Johnnies," £23, both ended a point weaker, also at new lows for the year, and Anglo American lost 23 to 440p.

Diamonds and Platinums suffered in sympathy, with "Anamint" down a full point to a low of £22½ and De Beers losing 5 to 180p, while Rustenburg gave up 12 to 134p, Impala 9 to 185p and Lydenburg 6 to 100p.

Coals turned weak after recent strength, with "Amcoal" losing a point to £11½ and Transvaal Consolidated Land ½ to £16½.

Golds were again under pressure in line with bullion, and the Gold Mines index fell 7.9 to 203.2, its lowest level since November 1979.

Among the heavyweights, Randfontein Estates gave up a point to £21½, while falls of around ½ were common to Vaal Reefs at £23½, President Brand at £11½ and Western Holdings at £13½.

Durban Deep at 529p, Winkelhaak at 558p, Driefontein at 880p and Free State Geduld at 915p all showed declines of 40 or more.

London Financials held up well for most of the day, but were sold heavily later. Charter dipped 7 to 180p, while declines of 6 were common to *Gold Fields* at 330p and Rio Tinto-Zinc at 369p, the last-named at its lowest point this year.

Deals arranged in Traded Options amounted to 1,017, comprising 669 calls and 348 puts, with business fairly evenly distributed among the stocks.

FINANCIAL TIMES STOCK INDICES

	June 17	June 16	June 15	June 14	June 11	June 10	A year ago
Government Secs	69.51	69.65	69.69	70.03	70.18	69.78	66.16
Fixed Interest	70.29	70.35	70.42	70.57	70.30	69.97	67.76
Industrial Ord.	559.4	568.5	570.9	576.8	584.2	578.5	541.1
Gold Mines	203.2	211.1	210.8	220.4	225.4	238.2	321.2
Ord. Div. Yield	5.58	5.51	5.48	5.43	5.38	5.42	5.96
Earnings, Yld.% (full)	11.63	11.47	11.42	11.31	11.21	11.30	11.85
P/E Ratio (net) (*)	10.45	10.60	10.65	10.74	10.84	10.75	10.53
Total bargains	14,869	15,052	17,842	16,096	16,034	16,757	18,484
Equity turnover £m	—	99.71	147.64	101.92	125.02	125.49	135.50
Equity bargains	—	11,216	13,914	12,910	12,667	12,536	15,764

10 am 563.3. 11 am 561.0. Noon 561.8. 1 pm 560.1. 2 pm 559.1. 3 pm 558.8.

Basis 100 Govt. Secs. 16/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

*Nil = 9.68.

HIGHS AND LOWS

	1982 High	1982 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	70.40 (7/6)	61.89 (5/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	70.57 (14/6)	62.79 (7/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	594.0 (8/6)	518.1 (5/1)	597.3 (30/4/81)	49.4 (26/6/40)
Gold Mines	302.0 (5/1)	203.2 (17/6)	558.9 (22/9/80)	43.5 (26/10/71)

S.E. ACTIVITY

	June 16	June 15
—Daily Gilt Edged Bargains	153.9	197.5
Equities Bargains	72.7	90.1
Value	201.5	298.4
5-day Avrge. Gilt-Edged Bargains	174.9	182.3
Equities Bargains	81.9	84.2
Value	242.5	252.1

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. Date	1982 High	1982 Low	Stock	Closing price p	+ or –	Div. or amount	Times Covered	Gross Yield	P.E. Ratio
¶¶	—	—	13	11	Argyll Foods Warr'ts.	11	+½	—	—	—	—
¶250	F.P.	23/6	280	265	Assoc. Heat Services	268	–4	b9.0	2.1	4.8	13.6
46	F.P.	30/7	55	50	Bairstow Eves 5p	50	–5	b1.61	3.5	4.3	15.0
§90	F.P.	25/6	101	92	✻Black (Michael) 20p	95	......	u3.0	2.4	4.6	12.8
15	F.P.	15/4	32	19	Cambrian & Gen. 7½p	31	......	—	—	—	—
§250	F.P.	4/6	455	293	✻Cont. Microwave	435	......	b5.25	3.9	1.7	16.1
[illegible]	F.P.	—	59	57	✻Dencora	57	–1	—	—	—	—
§80	F.P.	28/5	163	140	✻Druck Hldgs.	163	......	b2.3	2.6	2.0	28.8
§67½p	F.P.	25/6	98	84	Electro-Prot. US$0.50	91	+2	uQ1.5c	8.8	0.9	12.5
—	—	—	17	10	¿Group Inv Option	12	......	—	—	—	—
‡137	F.P.	—	170	150	✻McCarthy & Stone	159	–1	b5.75	2.7	4.9	10.2
§105	F.P.	2/7	121	110	✻Miles 33 10p	116	......	ud2.0	4.3	2.5	10.0
600	F.P.	2/7	630	600	Oriflame SA (US$1.50)	600	–10	bQ50c	2.2	4.5	9.6
77	F.P.	14/7	97	88	✻Radio City 'A' NV	90	–1	b5.5	1.5	8.9	10.5
140	F.P.	29/6	176	160	✻Ruddle (G.) 10p	176	......	b3.3	2.6	2.7	20.8
¶¶	F.P.	—	29	19	Stewart Nairn	23	–2	—	—	—	—
¶¶	F.P.	—	90	40	Zambia Cons Cpr 10K	50	......	—	—	—	—

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1982 High	1982 Low	Stock	Closing price £	+ or –
¶100	£10	26/8	11¾	10½	Bournemouth Water 9% Red. Prf. '87-89	11¾	......
§99.395	£25	14/7	25½	21¼	Cred. Foncier de France 14⅜% Lon. 2007	23½	–½
¶100	F.P.	1/7	102¼	100¾	East Anglia Water 9% Red. Prf. 1987	101¾	......
¶¶	F.P.	—	145½	138	First Nat. 12½pc Conv. Uns. Ln. 1987	142	......
¶100	F.P.	—	47	38	Grt. N'rth'n Inv. 4pc Net Cum. Prf. £1	39	......
¶100	F.P.	—	46	45	Do. 4.7pc Net Cum. Prf. £1	46	......
101	F.P.	—	109	108	✻Lon & Cont 11⅛% Conv. Sub. Uns. Ln. '95-02	109	......
§100	F.P.	9/7	101	98½	Marlborough Props. 10% Cnv. Ln. '98-2002	98½	......
98.55	£25	8/10	26	24½	Midland Bk. 14% Sub. Uns. Ln. 2002-07	24¾	–¼
¶100	£10	26/8	11¾	11	Mid-Southern Wtr. 9% Pref. 1987	11¾	......
§100	F.P.	—	100⅞	100⅛	Nationwide Bdg. Soc. 14¼% (25/4/83)	100½	–¼
§100	F.P.	—	100	99½	Do. 13⅞% (23/5/83)	100	......
100	F.P.	—	100⅛	100⅛	Do. 13½% (3/6/83)	100⅛	......
¶100	£10	29/7	11¾	10½	Wrexham Water 9% Red. Prf. '87-89	11¾	......

"RIGHTS" OFFERS

Issue price p	Am'unt paid up	Latest Renunc. date ●	Latest Renunc. date ■	1982 High	1982 Low	Stock	Closing price p	+ or –
10	F.P.	27/4	28/5	13¾	10	Ansbacher (H.) 5p	10¼	–¼
170	F.P.	13/5	24/6	190	180	Bank Leumi (UK) £1	190	......
135	F.P.	28/5	9/7	180	158	Carless Capel 10p	172	–2
174	F.P.	18/6	30/7	233	218	Grand Met 50p	226	......
Kr.150	Nil	—	—	5½pm	3pm	Great Northern Tel (£10)	3¼	+¼
5	F.P.	10/5	21/6	5	5	Grovebell (5p)	5	......
Kr.150	Nil	—	—	250pm	200pm	Norsk Hydro (Kr. 100)	200pm	......
50	Nil	24/6	13/8	8pm	3½pm	Press (Wm.) 10p	3½pm	–½
325	F.P.	17/5	30/7	445	398	Saatchi & Saatchi 10p	398	......
215	Nil	5/7	13/8	40pm	34pm	Sketchley	32pm	–2
10	F.P.	24/3	23/4	12½	10	Sturla 10p	10	–½
133	Nil	10/6	10/6	½pm	0	Young (H.)	—	......

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimate. *d* Dividend rate paid or payable on part of capital: cover based on dividend on full capital. *g* Assumed dividend and yield. *t* Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. *u* Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. Φ Figures or report awaited. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price. *p* Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Dealings under special Rule. ✻ Unlisted Securities Market. ‡‡ London Listing. ‡ Effective issue price after scrip. † Formerly dealt in under Rule 163(2)(a). Δ Issued free as an entitlement to ordinary holders.

WEDNESDAY'S ACTIVE STOCKS

Based on bargains recorded in S.E. Official List

Stock	No. of price changes	Wednesday's closing price pence	Day's change	Stock	No. of price changes	Wednesday's closing price pence	Day's change
Tesco	20	65	+8	ICI	9	320	–2
Argyll 'New'	13	77xs	—	Inchape	9	293	–5
GEC	11	925	–5	*Lloyds Bank*	9	396	–4
Grd. Met. 'New'	11	58pm	—	Royal Ins.	9	345	–5
RTZ	10	375	+1	Shell Trans.	9	412	–6
Unilever	10	580	+2	British Aero.	8	217	–1
Hwkr. Siddeley	9	330	–8	De Beers Dfd.	8	185	+3

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price pence	Day's change	Stock	Closing price pence	Day's change
Anglo Am. Gold	£27½	–1½	Hepworth (J.)	105	–4
Argyll Foods New	77	—	ICI	316	–4
Brit. and Comm.	455	–13	Inchape	270	–23
Dawson Intl.	125	–6	Minet	204	–5
Ferranti	715	–12	RTZ	369	–6
Grand Met.	226	—	*Tesco*	63	–2

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

		Thur June 17 1982 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Wed June 16 Index No.	Tues June 15 Index No.	Mon June 14 Index No.	Fri June 11 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (209)	384.61	–1.0	9.41	4.27	13.13	388.59	390.67	394.36	396.59	343.18
2	Building Materials (23)	330.08	–0.7	12.01	5.49	10.04	332.46	333.97	338.22	342.44	300.74
3	Contracting, Construction (28)	606.38	–1.3	14.19	5.06	8.51	614.46	615.48	616.81	617.25	558.53
4	Electricals (31)	1437.87	–0.5	6.74	2.09	18.86	1444.39	1453.68	1461.63	1471.74	1067.80
5	Engineering Contractors (11)	480.72	–1.5	13.79	6.38	8.72	488.13	490.80	496.62	494.42	406.48
6	Mechanical Engineering (67)	196.07	–2.1	11.71	5.96	10.31	200.31	201.61	204.14	204.27	232.95
8	Metals and Metal Forming (11)	155.34	–0.9	11.54	7.75	10.84	156.75	159.43	162.09	164.52	161.83
9	Motors (20)	89.41	–1.9	1.92	7.91	—	91.17	91.83	92.15	92.59	101.45
10	Other Industrial Materials (18)	356.34	–1.3	10.20	5.95	12.03	361.19	360.36	367.81	368.64	376.38
21	CONSUMER GROUP (201)	304.76	–1.2	13.00	5.73	9.31	308.48	309.26	311.26	311.78	282.82
22	Brewers and Distillers (22)	322.45	–0.9	14.42	6.33	8.44	325.43	326.17	328.86	329.46	328.54
25	Food Manufacturing (22)	260.40	–1.6	17.91	7.21	6.51	264.54	264.98	265.19	263.92	257.56
26	*Food Retailing* (14)	613.04	–0.4	9.15	3.66	13.26	615.76	614.33	612.99	612.56	523.21
27	Health and Household Products (8)	454.16	–1.8	7.64	3.75	15.44	462.28	464.32	467.04	471.25	330.82
29	Leisure (23)	423.15	–1.5	10.49	5.47	11.92	429.43	430.18	434.11	437.60	426.16
32	Newspapers, Publishing (13)	525.17	–1.1	13.08	5.92	9.73	531.22	531.61	532.49	534.36	504.75
33	Packaging and Paper (14)	146.33	–1.4	15.94	7.42	7.29	148.39	148.82	151.29	151.06	140.71
34	Stores (45)	275.41	–0.9	10.66	5.05	12.38	277.99	279.15	282.51	283.44	267.40
35	Textiles (23)	163.08	–2.5	13.75	6.51	8.97	167.31	167.85	168.62	170.19	162.85
36	Tobaccos (3)	334.15	–1.1	21.84	8.23	5.16	337.80	339.28	338.28	335.93	260.57
39	Other Consumer (14)	280.92	–0.5	5.86	5.39	32.80	282.27	284.09	284.08	281.14	301.58
41	OTHER GROUPS (77)	257.04	–1.0	13.41	6.47	9.82	259.58	260.11	262.41	263.14	228.27
42	Chemicals (16)	341.90	–1.0	13.47	6.81	8.91	345.29	346.76	349.15	349.86	281.65
44	Office Equipment (4)	106.90	–1.3	15.21	8.17	8.07	108.29	109.92	112.08	112.35	116.15
45	Shipping and Transport (13)	563.08	–1.7	19.81	7.32	6.12	572.83	571.61	576.46	575.19	561.38
46	Miscellaneous (44)	332.31	–0.7	11.31	5.65	10.76	334.75	334.47	337.64	339.25	297.06
49	INDUSTRIAL GROUP (487)	325.56	–1.1	11.71	5.28	10.40	329.20	330.36	332.97	334.08	295.99
51	Oils (13)	716.91	–1.5	22.04	8.11	5.14	728.20	737.05	741.19	751.44	700.56
59	500 SHARE INDEX	357.44	–1.2	13.36	5.73	8.94	361.70	363.54	366.21	368.05	329.41
61	*FINANCIAL GROUP* (117)	246.28	–0.8	—	6.76	—	248.25	250.12	252.04	252.29	257.32
62	Banks (6)	270.34	–0.1	38.49	7.97	2.84	270.67	273.79	273.59	273.69	262.52
63	Discount Houses (9)	230.61	–4.0	—	9.89	—	240.32	241.99	242.14	240.24	280.69
65	Insurance (Life) (9)	265.47	–2.8	—	6.89	—	270.85	272.79	276.29	277.25	261.85
66	Insurance (Composite) (10)	153.50	–0.7	—	9.22	—	154.53	156.16	159.03	159.41	166.44
67	Insurance Brokers (7)	485.30	–2.4	11.61	5.35	11.79	497.13	502.40	513.04	518.18	385.24
68	Merchant Banks (12)	141.80	–0.6	—	6.88	—	142.73	143.58	144.04	143.97	168.72
69	Property (49)	414.48	–0.7	5.43	3.87	24.59	417.45	418.37	419.80	418.98	471.25
70	Other Financial (15)	167.35	–0.6	18.38	6.84	6.32	168.32	168.91	169.99	169.96	178.08
71	Investment Trusts (111)	293.80	–0.9	—	5.54	—	296.57	297.99	299.63	300.24	309.08
81	Mining Finance (4)	179.30	–1.8	17.42	7.86	7.20	182.51	181.13	183.47	187.35	249.86
91	Overseas Traders (18)	337.25	–3.8	14.76	9.49	8.38	350.46	348.26	350.72	349.51	452.83
99	ALL-SHARE INDEX (750)	326.93	–1.2	—	5.98	—	330.75	332.42	334.88	336.34	315.14

FIXED INTEREST

	PRICE INDICES	Thur June 17	Day's change %	Wed June 16	xd adj. today	xd adj. 1982 to date
	British Government					
1	5 years	111.83	–0.19	112.15	—	5.90
2	5-15 years	111.16	–0.49	111.70	—	6.42
3	Over 15 years	114.72	–0.56	115.36	—	6.92
4	Irredeemables	118.86	–0.35	119.28	—	6.30
5	All Stocks	112.24	–0.42	112.71	—	6.39
6	Debentures & Loans	89.14	–0.02	89.16	—	5.10
7	Preference	65.77	+0.35	65.54	—	3.21

	AVERAGE GROSS REDEMPTION YIELDS		Thur June 17	Wed June 16	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	11.15	10.94	12.41
2		15 years	12.65	12.09	12.80
3		25 years	12.82	12.99	12.95
4	Medium Coupons	5 years	13.72	13.61	14.24
5		15 years	13.80	13.71	14.71
6		25 years	13.17	13.08	14.28
7	High Coupons	5 years	13.77	13.65	14.30
8		15 years	13.93	13.84	14.90
9		25 years	13.27	13.19	14.50
10	Irredeemables†		12.48	12.38	12.32
11	Debs & Loans	5 years	14.51	14.42	15.31
12		15 years	14.49	14.50	15.31
13		25 years	14.48	14.51	15.31
14	Preference†		15.06	15.12	15.66

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

NEW HIGHS AND LOWS FOR 1982

The following quotations in the Share Information Service yesterday attained new *Highs and Lows for 1982*.

NEW HIGHS (10)

BRITISH FUNDS (1)
Treasury 3pc 1987

AMERICANS (1)
Brunswick Corp.

BUILDINGS (1)
Lawrence (W.)

ELECTRICALS (1)
M.K. Electric

ENGINEERING (1)
Rotork

INDUSTRIALS (3)
Amber Ind. Rolf & Nolan
Halma

PAPER (1)
Good Relations

TEAS (1)
Assam Frontier

NEW LOWS (134)

AMERICANS (4)
CANADIANS (6)
BANKS (3)
BUILDINGS (4)
CHEMICALS (2)
DRAPERY AND STORES (6)
ELECTRICALS (3)
ENGINEERING (12)
FOODS (4)
INDUSTRIALS (27)
INSURANCE (1)
MOTORS (4)
NEWSPAPERS (3)
PROPERTY (11)
SHIPPING (1)
SOUTH AFRICANS (2)
TEXTILES (1)
TRUSTS (11)
OIL AND GAS (3)
OVERSEAS TRADERS (2)
RUBBERS (1)
TEAS (1)
MINES (22)

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	1	78	14
Corpns. Dom and Foreign Bonds	6	19	52
Industrials	72	505	767
Financial & Props.	19	218	274
Oils	7	37	65
Plantations	4	4	15
Mines	7	60	92
Others	28	71	53
Totals	144	990	1,332

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
May 24	June 11	Sept 2	Sept 13
June 14	June 25	Sept 16	Sept 27
June 28	July 9	Sept 30	Oct 11

For rate indications see end of Share Information Service

Money was given for the call of ICL, Sound Diffusion, Celtic Haven, Raglan Property, First National Finance, Mersey Dock, J. Hepworth, Carrington Viyella and Consolidated Gold Fields. Caravans International and Barker and Dobson were dealt in for the put, while double options were arranged in ICL, Barker and Dobson and Minet.

WORLD VALUE OF THE DOLLAR

Bank of America NT & SA, Economics Department, London

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, June 16, 1982. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign *currency units per one U.S. dollar except in certain specified areas. All rates* quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT and SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT and SA nor the Financial *Times assume responsibility for errors.*

COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (O)	68.25
Albania	Lek	5.7534
Algeria	Dinar	4.54
Andorra	Fr. Franc	6.74
	Sp. Peseta	109.55
Angola	Kwanza	30.214
Antigua	E. Caribbean $	2.7025
Argentina	Peso (f) (2)	15125.
Australia	Dollar	0.9687
Austria	Schilling	17.13
Azores	Port. Escudo	80.00
Bahamas	Dollar	1.00
Bahrain	Dinar	0.377
Balearic Is.	Sp. Peseta	109.55
Bangladesh	Taka	21.76
Barbados	Dollar	2.01
Belgium	Franc (C)	46.63
	Franc (F)	51.70
Belize	Dollar	2.00
Benin	C.F.A. Franc	337.00
Bermuda	Dollar	1.00
Bhutan	Ind. Rupee	9.3458
Bolivia	Peso	43.59
Botswana	Pula	1.0709
Brazil	Cruzeiro	166.62
Brunei	Dollar	2.1315
Bulgaria	Lev	0.942
Burma	Kyat	8.4516
Burundi	Franc	90.00
Cameroun Rp.	C.F.A. Franc	337.00
Canada	Dollar	1.2749
Canary Is.	Sp. Peseta	109.55
Cape Verde Is.	Escudo	54.70
Cayman Is.	Dollar	0.835
Cen. Af. Rep.	C.F.A. Franc	337.00
Chad	C.F.A. Franc	337.00
Chile	Peso (O) (7)	48.00
China	Renminbi Yuan	1.9026
Colombia	Peso (O)	73.26
Comoros	C.F.A. Franc	337.00
Congo P'ple. Rep. of	C.F.A. Franc	337.00
Costa Rica	Colon (O)	8.60
	Colon	38.09
Cuba	Peso	0.8281
Cyprus	Pound*	2.1102
Czechoslovakia	Koruna (O)	6.00
Denmark	Krone	8.4022
Djibouti Rp. of	Franc	177.72
Dominica	*E. Caribbean $*	2.7025
Domin. Rep.	Peso	1.00
Ecuador	Sucre (O) (6)	33.15
	Sucre (F)	52.30
Egypt	Pound* (O)	1.4286
	Pound* (1)	1.2092
El Salvador	Colon	2.50
Eq'tl Guinea	Ekuele	219.10
Ethiopia	Birr (O)	2.0554
Faeroe Is.	Dan. Krone	8.4022
Falkland Is.	Pound*	1.7555
Fiji	Dollar	0.9275
Finland	Markka	4.693
France	Franc	6.74
Fr. C'ty in Af.	C.F.A. Franc	337.00
Fr. Guiana	Franc	6.74
Fr. Pac. Is.	C.F.P. Franc	119.624
Gabon	C.F.A. Franc	337.00
Gambia	Dalasi	2.2786
Germany (E)	Ostmark (O)	2.431
Germany (W)	Mark	2.431
Ghana	Cedi	2.75
Gibraltar	Pound*	1.7555
Greece	Drachma (8)	68.33
Greenland	Dan. Krone	8.4022
Grenada	E. Caribbean $	2.7025
Guadaloupe	Franc	6.74
Guam	U.S. $	1.00
Guatemala	Quetzal	1.00
Guinea Bissau	Peso	40.0635
Guinea Rep.	Syli	22.4758
Guyana	Dollar	3.0154
Haiti	Gourde	5.00
Honduras Rep.	Lempira	2.00
Hong Kong	Dollar	5.873
Hungary	Forint	34.4983
Iceland	Krona	11.10
India	Rupee	9.3458
Indonesia	Rupiah	654.25
Iran	Rial (O)	81.09
Iraq	Dinar	0.2953
Irish Rep	Punt*	1.4127
Israel	Shekel	23.27
Italy	Lira	1365.50
Ivory Coast	C.F.A. Franc	337.00
Jamaica	Dollar	1.7835
Japan	Yen	252.60
Jordan	Dinar	0.3515
Kampuchea	Riel	n.a.
Kenya	Shilling	10.8729
Kiribati	Aust. Dollar	0.9687
Korea (Nth)	Won	0.94
Korea (Sth)	Won	737.40
Kuwait	Dinar	0.2879
Lao P'pls D. Rep	Kip	10.00
Lebanon	Pound	5.075
Lesotho	Loti	1.1179
Liberia	Dollar	1.00
Libya	Dinar	0.2961
Liechtenst'n	Sw. Franc	2.09
Luxembourg	Lux Franc	46.63
Macao	Pataca	6.105
Madagascar D. R.	Franc	377.00
Madeira	Port. Escudo	80.00
Malawi	Kwacha (5)	1.0832
Malaysia	Ringgit	2.332
Maldive Is.	Rufiyaa (O)	3.93
	Rufiyaa (M)	7.55
Mali Rp.	Franc	674.00
Malta	Pound*	2.4298
Martinique	Franc	6.74
Mauritania	Ouguiya	51.29
Mauritius	Rupee	10.7715
Mexico	Peso	47.65
Miquelon	Fr. Franc	6.74
Monaco	Fr. Franc	6.74
Mongolia	Tugrik (O)	3.3555
Montserrat	E. Caribbean $	2.7025
Morocco	Dirham	6.1297
Mozambique	Metica	30.5326
Namibia	S.A. Rand	1.1179
Nauru Is.	Aust. Dollar	0.9687
Nepal	Rupee	13.20
Netherlands	Guilder	2.6845
Neth. Ant'les	Guilder	1.80
New Zealand	Dollar	1.3314
Nicaragua	Cordoba	10.05
Niger Rp.	C.F.A. Franc	337.00
Nigeria	Naira (O)	0.6821
Norway	Krone	6.1975
Oman, Sultanate of	Rial	0.3456
Pakistan	Rupee	11.8378
Panama	Balboa	1.00
Papua N.G.	Kina	0.7531
Paraguay	Guarani	126.00
Peru	Sol	657.54
Philippines	Peso	8.455
Pitcairn Is.	N.Z. Dollar	1.3314
Poland	Zloty (O)	80.00
Portugal	Escudo (9)	80.00
Port Timor	Escudo	n.a.
Puerto Rico	U.S. $	1.00
Qatar	Riyal	3.6397
Reunion Ile de la	Fr. Franc	6.74
Romania	Leu (O)	4.47
Rwanda	Franc	92.84
St. Christopher	E. Caribbean $	2.7025
St. Helena	Pound*	1.7555
St. Lucia	E. Caribbean $	2.7025
St. Pierre	Fr Franc	6.74
St. Vincent	E. Caribbean $	2.7025
Samoa (Western)	Tala	0.8475
Samoa (Am.)	U.S. $	1.00
San Marino	It. Lira	1365.50
Sao Tome & Principe DR	Dobra	41.2017
Saudi Arabia	Riyal	3.4303
Senegal	C.F.A. Franc	337.00
Seychelles	Rupee	7.5754
Sierra Leone	Leone	1.2446
Singapore	Dollar	2.1315
Solomon Is.	Dollar	0.9282
Somali Rep.	Shilling (3)	6.35
	Shilling (4)	12.46
South Africa	Rand	1.1179
Spain	Peseta	109.55
Span. Ports in N. Africa	Sp. Peseta	109.55
Sri Lanka	Rupee	20.68
Sudan Rep.	Pound* (1)	1.1111
Surinam	Guilder	1.785
Swaziland	Lilangeni	1.1179
Sweden	Krone	6.0315
Switzerland	Franc	2.09
Syria	Pound	3.925
Taiwan	Dollar (O)	38.95
Tanzania	Shilling	9.2566
Thailand	Baht	23.00
Togo Rep.	C.F.A. Franc	337.00
Tonga Is.	Pa'anga	0.9687
Trinidad & Tobago	Dollar	2.409
Tunisia	Dinar	0.5884
Turkey	Lira (10)	160.65
Turks & Caicos	U.S. $	1.00
Tuvalu	Aust. Dollar	0.9687
Uganda	Shilling	94.60
Utd. A'b. Emir.	Dirham	3.6727
Utd. Kingdom	Pound Sterling*	1.7555
Upper Volta	C.F.A. Franc	337.00
Uruguay	Peso	12.405
U.S.S.R.	Rouble	0.725
Vanuatu	Vatu	108.929
	Aust. Dollar	0.9687
Vatican	Lira	1365.50
Venezuela	Bolivar	4.2938
Vietnam	Dong (O)	2.18
Virgin Is. Br.	U.S. $	1.00
Virgin Is. U.S.	U.S. $	1.00
Yemen	Rial	4.5605
Yemen PDR	Dinar	0.3483
Yugoslavia	Dinar	46.6356
Zaire Rp.	Zaire	5.7812
Zambia	Kwacha	0.9326
Zimbabwe	Dollar	0.7519

n.a. Not available. (m) Market rate. * U.S. dollars per National Currency unit. (o) Official rate. (c) Commercial rate. (f) Financial rate. (1) Egypt—Floating rate fixed daily by Central Bank of Egypt for Importers, Exporters, Tourists. (2) Argentina—devalued by approx 17 per cent 5/5/82. (3) Somali: Parallel exchange rates introduced July 1—for essential imports. (4) Somali: Exports and Non Essential Imports and Transfers. (5) Malawi—devalued 26/4/82. (6) Ecuador—devaluation by 32 per cent 14/6/82. (10) Turkey—devalued 14/6/82. (7) Chile—devalued 14/6/82, to be adjusted downwards by 0.8 per cent monthly for the next 12 months. (8) Greece—devalued by 3.2 per cent, 15/6/82. (9) Portugal—devalued by 9.5 per cent, 15/6/82.

Dollar at new peaks

The dollar touched new peaks in the foreign exchange market yesterday, influenced by the very high level of Eurodollar interest rates. Trading volume was limited by the closure of Frankfurt for a national holiday, but the U.S. currency advanced strongly to record levels against the French franc and lira; the highest level for nearly five years against sterling; a two-year peak against the Japanese yen; and the best level for nine months in terms of the D-mark and Swiss franc.

Sterling may have gained some official support in thin late trading, but despite the decline against the dollar the pound's overall performance was quite firm, and it closed higher on the day against currencies such as the Swiss franc, yen and D-mark.

DOLLAR — Trade-weighted index (Bank of England) 120.3 against 119.5 on Wednesday, and 107.3 six months ago. Three-month Treasury bills 12.49 per cent (10.94 per cent six months ago). Annual inflation rate 6.6 per cent (6.8 per cent previous month) — The dollar rose to DM 2.4450 from DM 2.4340 against the D-mark, the highest since early September last year; to SwFr 2.1140 from SwFr 2.0935 against the Swiss franc, also the highest since September; to a record FFr 6.7775 from FFr 6.7450 in terms of the French franc; and to Y254.50 from Y252.80 against the yen, the highest since April 1980.

STERLING — Trade-weighted index 91.2 against 91.5 at noon, 91.4 at the opening, 91.5 on Wednesday, and 90.1 six months ago. Three-month interbank 12⅞ per cent (15⅛ per cent six months ago). Annual inflation 9.4 per cent (10.4 per cent previous month)—The pound opened at $1.7460-1.7470, and touched a peak of $1.7520-1.7530. It suffered from some selling by U.S. operators in the afternoon, falling to $1.7355-1.7365, before closing at $1.7430-1.7440, a fall of 70 points on the day, and the lowest closing level since September 1977. On the other hand sterling rose to DM 4.2650 from DM 4.2625; to SwFr 3.6875 from SwFr 3.67; to Y444 from Y442.75; and to FFr 11.8125 from FFr 11.8075.

FRENCH FRANC — EMS member (second strongest). Trade-weighted index 74.3 against 74.5 on Wednesday, and 80.6 six months ago. Three-month interbank 15 5/16 per cent (15 7/16 per cent six months ago). Annual inflation 13.9 per cent (14.1 per cent previous month)—The French franc was little changed against the D-mark at the Paris fixing, but fell sharply against the very strong dollar. The upward trend in U.S. interest rates pushed the dollar up to a record level of FFr 6.79 from FFr 6.7590. Sterling rose to an eight-year peak of FFr 11.8570 from FFr 11.8210, while the D-mark was fixed at FFr 2.7734, compared with FFr 2.7732.

SWISS FRANC — Trade-weighted index 143.8 against 144.5 on Wednesday and 152.2 six months ago. Three-month interbank 5 7/16 per cent (9½ per cent six months ago). Annual inflation 5.9 per cent (5.6 per cent previous month)—The Swiss franc fell to its lowest level against the dollar for nine months in Zurich as Eurodollar interest rates moved up sharply. The U.S. currency rose to SwFr 2.1120 in the afternoon, from SwFr 2.0885, and several other major currencies, including sterling and the D-mark also showed a firmer trend despite the announcement of higher customer time deposits by the major Swiss banks.

JAPANESE YEN — Trade-weighted index 132.4 against 132.9 on Wednesday, and 146.6 six months ago. Three-month bills 7.28125 per cent (6.65625 per cent six months ago). Annual inflation 2.8 per cent (unchanged from previous month)—The yen remained very weak against the dollar in Tokyo, requiring further support from the Bank of Japan. The scale of intervention was probably in the region of $100m as the U.S. currency touched a peak of Y254.65, the highest level since April 9 1980. News of an unexpectedly large rise in U.S. housing starts last month was interpreted as further evidence that U.S. interest rates will remain high and this coupled with the continued fighting in the Middle East underpinned the dollar, which finished at Y254.40, compared with Y251.55 on Wednesday.

THE POUND SPOT AND FORWARD

June 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.7355-1.7530	1.7430-1.7440	0.34-0.44c dis	−2.68	1.28-1.38dis	−3.05
Canada	2.2375-2.2535	2.2460-2.2470	0.75-0.85c dis	−4.27	2.65-2.75dis	−4.81
Nethlnd.	4.68-4.73	4.70¾-4.71¾	1½-1¼c pm	3.83	4⅝-4⅛ pm	3.72
Belgium	81.35-82.15	81.75-81.85	28-38c dis	−4.84	104-114 dis	−5.33
Denmark	14.70-14.82	14.71-14.72	4⅞-5¾ore dis	−4.33	16⅞-18⅞ dis	−4.67
Ireland	1.2370-1.2465	1.2380-1.2390	0.60-0.73p dis	−6.44	1.96-2.14dis	−6.62
W.Ger.	4.25-4.30	4.26-4.27	1⅝-1½pf pm	3.87	4¼-3¾ pm	3.75
Portugal	144.00-145.25	144.50-145.00	80-260c dis	−14.09	190-755dis	−13.06
Spain	192.25-193.25	192.80-193.00	105-165c dis	−8.40	360-668dis	−10.65
Italy	2389-2409	2399-2401	13½-16½lire dis	−7.50	48-52 dis	−8.33
Norway	10.84-10.93	10.86½-10.87½	1⅛-2⅞ore dis	−1.86	7-8⅞ dis	−2.78
France	11.79-11.86	11.80½-11.81½	3⅛-5⅛c dis	−4.32	8-11 dis	−3.22
Sweden	10.52-10.63	10.54½-10.55½	1-1⅞ore dis	−1.56	3⅛-3⅞ dis	−1.37
Japan	441-448	443½-444½	2.20-1.90y pm	5.54	6.25-5.85 pm	5.49
Austria	29.95-30.20	30.03-30.08	12½-9gro pm	4.29	33-26 pm	3.93
Switz.	3.66-3.71	3.68¾-3.69¾	2⅝-2⅛c pm	7.73	6¾-6⅝ pm	7.05

Belgian rate is for convertible francs Financial franc 90.70-90.80. Six-month forward dollar 2.60-2.70c dis. 12-month 4.55-4.70c dis.

THE DOLLAR SPOT AND FORWARD

June 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7355-1.7530	1.7430-1.7440	0.34-0.44c dis	−2.68	1.28-1.38dis	−3.05
Ireland	1.4025-1.4075	1.4055-1.4075	0.50-0.40c pm	3.84	1.30-1.15 pm	3.49
Canada	1.2830-1.2890	1.2875-1.2885	0.17-0.20c dis	−1.72	0.52-0.57dis	−1.69
Nethlnd.	2.6930-2.7015	2.6950-2.6980	1.48-1.38c pm	6.37	4.65-4.55 pm	6.83
Belgium	46.85-46.96	46.89-46.91	6-9c dis	−1.92	22-25 dis	−2.00
Denmark	8.4370-8.4580	8.4370-8.4420	0.95-1.25ore dis	−1.56	3.00-3.50dis	−1.54
W. Ger.	2.4420-2.4485	2.4445-2.4455	1.33-1.28pf pm	6.40	4.20-4.15 pm	6.83
Portugal	82.00-83.15	82.90-83.10	30-130c dis	11.58	70-370 dis	−10.62
Spain	110.50-110.75	110.60-110.65	50-60c dis	−5.96	115-135 dis	−4.52
Italy	1373-1377¼	1375½-1376½	5¾-6¾lire dis	−5.02	17-19 dis	−5.24
Norway	6.2250-6.2340	6.2270-6.2320	1.10-0.70ore pm	1.73	1.30-0.90 pm	0.71
France	6.7700-6.7925	6.7750-6.7800	0.60-1.20c dis	−1.59	1.75-2.50dis	−1.25
Sweden	6.0470-6.0620	6.0470-6.0520	0.75-0.55ore pm	1.29	2.65-2.45 pm	1.68
Japan	254.10-254.55	254.45-254.55	1.80-1.70y pm	8.25	5.50-5.40 pm	8.56
Austria	17.19-17.25½	17.21½-17.22½	10½-9gro pm	6.79	31½-28½ pm	6.97
Switz.	2.1025-2.1180	2.1135-2.1145	1.85-1.75c pm	10.22	5.35-5.25 pm	10.03

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY MOVEMENTS

June 17	Bank of England Index	Morgan Guaranty Changes%
Sterling	91.2	−32.5
U.S. dollar	120.3	+12.3
Canadian dollar	85.2	−21.5
Austrian schilling	117.6	+26.6
Belgian franc	94.8	−1.8
Danish kroner	82.6	−14.4
Deutsche mark	125.3	+49.7
Swiss franc	143.8	+93.6
Guilder	116.5	+23.5
French franc	74.3	−19.7
Lira	53.7	−58.4
Yen	132.4	+26.3

Based on trade weighted changes from Washington agreement December, 1971. Bank of England Index (base average 1975=100).

CURRENCY RATES

June 17	Bank rate %	Special Drawing Rights	European Currency Units
Sterling	—	0.626606	0.552938
U.S. $	12	1.09458	0.964877
Canadian $	16.20	*	1.23987
Austria Sch.	6¾	18.8734	16.6296
Belgian F	14	51.4007	45.2961
Danish Kr.	11	9.25333	8.16044
D mark	7½	N/A	2.36009
Guilder	8	2.95564	2.60565
French Fr.	14	7.43285	6.54717
Lira	19	1504.91	1326.45
Yen	5½	278.487	245.658
Norwgn. Kr.	9	6.81712	6.00926
Spanish Pts.	8	121.071	106.793
Swedish Kr.	10	6.65431	5.84040
Swiss Fr.	5½	2.30977	2.03275
Greek Dr'ch.	20½	N/A	65.8108

*CS/SDR rate for June 16: 1.40873

OTHER CURRENCIES

June 17	£	$		Note Rates
Argentina Peso	26,300-26,340	15,100-15,150	Austria	29.95-30.25
Australia Dollar	1.6840-1.6960	0.9740-0.9745	Belgium	90.25-91.25
Brazil Cruzeiro	289.42-290.43	166.01-167.04	Denmark	14.69-14.84
Finland Markka	8.199-8.211	4.7135-4.7155	France	11.79-11.89
Greek Drachma	118.88-120.13	68.00-68.20	Germany	4.24-4.28
Hong Kong Dollar	10.224-10.244	5.8610-5.8660	Italy	2365-2410
Iran Rial	147.20*	83.20*	Japan	441-445
Kuwait Dinar (KD)	0.5003-0.5014	0.2878-0.2881	Netherlands	4.68½-4.72½
Luxembourg Fr.	81.75-81.85	46.89-46.91	Norway	10.83-10.95
Malaysia Dollar	4.0505-4.0575	2.3475-2.3505	Portugal	141-155
New Zealand Dlr.	2.3260-2.3300	1.3375-1.3395	Spain	186½-195½
Saudi Arab. Riyal	5.9670-5.9745	3.4315-3.4355	Sweden	10.52-10.65
Singapore Dollar	3.7175-3.7475	2.1500-2.1550	Switzerland	3.65½-3.70½
Sth African Rand	1.9580-1.9600	1.1230-1.1240	United States	1.74-1.76
U.A.E. Dirham	6.3840-6.3940	3.6715-3.6735	Yugoslavia	87-102

*Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU June 17	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.9704	45.2961	+0.72	+0.62	±1.5501
Danish Krone	8.23400	8.16044	−0.89	−0.99	±1.6430
German D-Mark	2.33379	2.36009	+1.13	+1.03	±1.0888
French Franc	6.61387	6.54717	−1.01	−1.11	±1.3940
Dutch Guilder	2.57971	2.60565	+1.01	+0.91	±1.5004
Irish Punt	0.691011	0.687234	−0.55	−0.65	±1.6691
Italian Lira	1350.27	1326.45	−1.76	−1.76	±4.1369

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

June 17	Pound St'rling	U.S. Dollar	Deutschem'k	Japanese Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.744	4.265	444.0	11.813	3.688	4.708	2400.	2.247	81.80
U.S. Dollar	0.574	1.	2.446	254.7	6.775	2.116	2.700	1377.	1.289	46.92
Deutschemark	0.234	0.409	1.	104.1	2.770	0.865	1.104	562.7	0.527	19.18
Japanese Yen 1,000	2.252	3.927	9.606	1000.	26.60	8.305	10.60	5405.	5.060	184.2
French Franc 10	0.847	1.476	3.611	375.9	10.	3.122	3.985	2032.	1.902	69.25
Swiss Franc	0.271	0.473	1.157	120.4	3.203	1.	1.277	650.8	0.609	22.18
Dutch Guilder	0.213	0.370	0.906	94.32	2.509	0.783	1.	509.8	0.477	17.38
Italian Lira 1,000	0.417	0.726	1.777	185.0	4.922	1.536	1.961	1000.	0.936	34.08
Canadian Dollar	0.445	0.776	1.899	197.6	5.256	1.641	2.095	1068.	1.	36.41
Belgian Franc 100	1.222	2.131	5.214	542.8	14.44	4.506	5.755	2934.	2.746	100.

FT LONDON INTERBANK FIXING (11.00 a.m. JUNE 17)

3 months U.S. dollars		6 months U.S. dollars	
bid 15 7/8	offer 16	bid 16	offer 16 1/8

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

June 17	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short term	12⅝-12¾	14½-14¾	14½-15½	8⅝-8⅞	2-2¼	8⅜-8½	15½-16¼	18-20	15-16	14¾-15¼	6 5/16-6 11/16	20-21½
7 day's notice	12⅝-12¾	14⅝-14⅞	15½-16½	8⅝-8⅞	2½-3	8½-8⅝	15½-16¼	19-20⅝	16-19½	15⅛-15⅝	6⅞-7	20-21½
Month	12¾-12⅞	15 1/16-15 3/16	16¾-17	8¾-8⅞	5 5/16-5 9/16	8 9/16-8 11/16	16¼-17	19⅞-20¾	16-16½	15¾-16	7⅛-7¼	17½-19
Three months	12⅞-13	15 11/16-15 13/16	17⅛-17⅜	8 11/16-8 13/16	5 11/16-6 1/16	8⅞-9	16¾-17½	20¾-21½	17½-18	15¾-16	7⅛-7¼	19-20½
Six months	12⅞-13	15 15/16-16 1/16	17-17¼	8 13/16-9 1/16	6 1/16-6 5/16	9-9⅛	17⅛-17⅞	21⅛-21¾	17½-18	15⅝-15⅞	7 5/16-7 7/16	18½-20
One Year	12 15/16-13 1/16	15¾-16	16⅞-17⅛	9⅛-9¼	6 3/16-6 7/16	9 1/16-9 3/16	17¼-18¼	21¼-22	17-17½	15¼-15½	7⅛-7¼	18⅝-19⅞

SDR linked deposits: one month 12 21/32-13 1/32 per cent; three months 12 25/32-13 5/32 per cent; six months 13 3/16-13 7/16 per cent; one year 13⅛-13½ per cent.
ECU linked deposits: one month 12 7/16-12 13/16 per cent; three months 12⅝-13 per cent; six months 12 [illegible]-13 [illegible] per cent; one year 12 [illegible]-13⅜ per cent.
Asian $ (closing rates in Singapore): one month 15 1/16-15 3/16 per cent; three months 15¾-15⅞ per cent; six months 15⅞-16 per cent; one year 15⅝-15¾ per cent.
Long-term Eurodollar two years 15⅝-15⅞ per cent; three years 15⅝-15⅞ per cent; four years 15⅝-15⅞ per cent; five years 15⅝-15⅞ per cent; nominal closing rates.
Short-term rates are call for U.S. dollars, Canadian dollars and Japanese yen; others two days' notice.
The following rates were quoted for London dollar certificates of deposit: one month 14.85-14.95 per cent; three months 15.25-15.35 per cent; six months 15.50-15.60 per cent; one year 15.50-15.60 per cent.

MONEY MARKETS

UK rates slightly firmer

UK clearing bank base lending rate 12½ per cent (since June 8)

UK interest rates were slightly firmer yesterday, reflecting a further rise in U.S. interest rates. Six-month interbank money rose to 12 13/16-13 per cent from 12¾-12⅞ per cent, while sterling CDs were quoted at 12 13/16-12⅞ per cent from two months onwards, as the market showed its concern as to how U.S. interest rates might move in the near future.

The Bank of England forecast a shortage of around £300m in the money market, with factors affecting the market including bills maturing in official hands and a net take-up of Treasury bills −£270 and Exchequer transactions −£10m. The Bank gave assistance in the morning of £144m in the form of eligible bank bill purchases. These were made up of £27m in band 1 (up to 14 days) at 12⅝ per cent. £39m in band 2 (15-33 days) at 12½ per cent, £6m in band 3 34-63 days) at 12⅜ per cent and £72m in band 4 (64-84 days) at 12¼ per cent. There was no further assistance given in the afternoon.

Discount houses were paying around 12 per cent for secured call loans during the morning and some balances were taken during the day at 11 per cent.

In the interbank market overnight money opened at 12½-12⅝ per cent and moved erratically between 12¼-12½ per cent and 12½-12¾ per cent before easing to 11¼-11½ per cent. However, after the published assistance was left some £156m short of the forecast, rates climbed to 1618 per cent and finished at 12-14 per cent.

In New York short-term rates continued to rise. The Federal Reserve Bank entered the market to add reserves by making one to four day repurchase agreements. At the time Fed funds were trading at 14⅝ per cent. However, business was at a fairly low level with dealers noting the rather disappointing response to Wednesday's two-year Treasury auction which could result in higher yields if the Treasury is to push on with its funding programme.

In Zurich four major Swiss banks increased rates on time deposits by between ½ and ¾ of a point. This is in line with a recent increase in Swiss money market rates and is the second rise in 10 days. Three to five month deposits are now 4¾ per cent against 4 per cent and six to 12-month deposits 5¼ per cent up from 4¾ per cent.

EUROCURRENCIES

$ rates firm

Euro-dollar rates continued to rise yesterday and the six-month rate was quoted above 16 per cent during the morning for the first time since February. Expectations of further rises in U.S. money supply and a high U.S. budget deficit continue to keep rates high. Consequently the dollar lost considerable ground in the forward market, its losses accelerated by substantial gains in spot trading. Its discount widened against sterling and the D-mark although activity in the latter was reduced somewhat by the closure of West German centres.

The Swiss franc was steady despite the rise in U.S. rates as Swiss rates were correspondingly higher, with some domestic rates also being increased.

The yen was sharply firmer in forward trading as the yen lost ground in the spot market

MONEY RATES

NEW YORK

Prime rate	16½
Fed funds (lunch-time)	14½-14¾
Treasury bills (13-week)	12.49
Treasury bills (26-week)	12.86

GERMANY

Lombard	9.00
Overnight rate	9.00
One month	9.10
Three months	9.175
Six months	9.15

FRANCE

Intervention rate	16.5
Overnight rate	16.0
One month	15.625
Three months	15.4375
Six months	15.125

JAPAN

Discount rate	5.5
Call (unconditional)	7.15625
Bill discount (three-month)	7.28125

LONDON MONEY RATES

June 17 1982	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ⊕	Eligible Bank Bills ⊕	Fine Trade Bills ⊕
Overnight	—	11¼-18	12⅛-12⅝	—	—	12-15	11-12⅝	—	—	—
2 days notice	—	—	12⅝	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	12½-12¾	12⅝-12¾	—	—	12 13/16-13⅛	12½	—	—	—
One month	12⅞-12¾	12¾-12⅞	12¾	13⅛-13¼	12¾	13-13⅛	12½	12⅛-12 13/32	12 13/32	13⅛
Two months	12 13/16-12¾	12 13/16-12 15/16	—	13⅜-13⅛	12⅞	13⅛	12⅝	12⅜-12 13/32	12⅝-12 15/32	13
Three months	12 13/16-12¾	12 13/16-13	12⅞	13¼-13	12 15/16	13⅛	12¼	12¼	12¼-12 7/32	12⅞
Six months	12 13/16-12¾	12 13/16-13	12⅞	12⅛-11⅞	12 15/16	—	—	—	12 15/32	12 15/16
Nine months	12 13/16-12¾	12 13/16-13	—	13⅛-12¾	13	—	—	—	—	—
One year	12 13/16-12¾	12 15/16-13⅛	12⅞	13-12⅝	13⅛	—	—	—	—	—
Two years	—	—	13⅝	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates, nominally three years 13½ per cent; four years 13⅝ per cent; five years 13⅝ per cent. ⊕Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 12⅝ per cent; four months trade bills 12⅞ per cent.

Approximate selling rate for one month Treasury bills 12 5/16-12 11/32 per cent; two months 12¼-12 [illegible] per cent; three months 12⅛-12 3/16 per cent. Approximate selling rate for one month bank bills 12 [illegible]-12½ per cent; two months 12 [illegible]-12 [illegible] per cent and three months 12¼-12⅜ per cent; one month trade bills 12½ per cent; two months 12⅝ per cent; three months 12⅝ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 14 per cent from June 1 1982. London and Scottish Clearing Bank Rates for lending 12½ per cent. London Clearing Bank Deposit Rates for sums at seven days' notice 9½ per cent. Treasury Bills: Average tender rates of discount 12.1777 per cent. Certificates of Tax Deposit (Series 6) 13 per cent from June 8. Deposits withdrawn for cash 10½ per cent.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED TRUSTS

INSURANCE & OVERSEAS MANAGED FUNDS

INSURANCES

Abbey Life Assurance Co. Ltd.

Albany Life Assurance Co. Ltd.

AMEV Life Assurance Ltd.

Barclays Life Assur. Co. Ltd.

Black Horse Life Ass. Co. Ltd.

Canada Life Assurance Co.

Canada Life Assurance Co. of G. Britain

Cannon Assurance Ltd.

Capital Life Assurance

Chieftain Assurance Funds

City of Westminster Assurance

Clerical Medical Managed Funds Ltd.

Commercial Union Group

Confederation Life Insurance Co.

Continental Life Insurance PLC

Cornhill Insurance Co. Ltd.

Credit & Commerce Insurance Co. (UK)

Crescent Life Assurance Co. Ltd.

Crown Life

Crown Life—Continued

Crusader Insurance PLC

Eagle Star Insur./Midland Assur.

Equity & Law Life Ass. Soc. Ltd.

Equity & Law (Managed Funds) Ltd.

Family Assurance Society

G.T. Management Ltd.

Assicurazioni GENERALI S.p.A.

General Portfolio Life Ins. C. Ltd.

Growth & Sec. Life Ass. Soc. Ltd.

Guardian Royal Exchange

Hambro Life Assurance P.L.C.

Hearts of Oak Benefit Society

Henderson Administration

Hill Samuel Life Assur. Ltd.

Imperial Life Ass. Co. of Canada

Irish Life Assurance Co. Ltd.

King & Shaxson PLC

Langham Life Assur. Co. Ltd.

Legal & General (Unit Assur.) Ltd.

Legal & General Prop. Fd. Mgrs. Ltd.

Life Assur. Co. of Pennsylvania

Lloyds Life Assurance

London A'deen & Nthn. Mtl. Assur. Ltd.

London Indemnity & Gnl. Ins. Co. Ltd.

London Life Linked Assur. Ltd.

London & Manchester Gp.

M & G Group

Manufacturers Life Insurance Co.

Merchant Investors Assurance

Multiple Health and Life Assur. Co. Ltd.

NEL Pensions Ltd.

NPI Pensions Management Ltd.

National Provident Institution

New Zealand Ins. Co. (U.K.) Ltd.

Norwich Union Insurance Group

Pearl Assurance (Unit Funds) Ltd.

Pearl Assurance (Unit Linked Pensions) Ltd.

Phoenix Assurance Co. Ltd.

Pioneer Mutual Insurance Co. Ltd.

Planned Savings Group

Premium Life Assurance Co. Ltd.

Prop. Equity & Life Ass. Co.

Property Growth Assur. Co. Ltd.

Providence Capitol Life Assur. Co. Ltd.

Provincial Life Assurance Co. Ltd.

Prudential Pensions Limited

Refuge Investments Limited

Reliance Mutual

Royal Life Insurance Ltd.

Save & Prosper Group

Schroder Life Group

Scottish Amicable Investments

Scottish Mutual Assurance Society

Scottish Widows' Group

Skandia Life Assurance Co. Ltd.

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd.

Sun Life Unit Assurance Ltd.

Target Life Assurance Co. Ltd.

Transinternational Life Ins. Co. Ltd.

Trident Life Assurance Co. Ltd.

Tyndall Assurance/Pensions

Vanbrugh Life Assurance

Vanbrugh Pensions Limited

Windsor Life Assur. Co. Ltd.

OFFSHORE AND OVERSEAS

Adig Investment

Albany Fund Management Limited

Allen Harvey & Ross Inv. Mgt. (C.I.)

Alliance International Dollar Reserves

Arbuthnot Securities (C.I.) Ltd.

B.I.A. Bond Investments AG

Bank of America International S.A.

Barclays Unicorn International

Bishopsgate Commodity Ser. Ltd.

Bridge Management Ltd.

Britannia Intl. Investment Mngmt. Ltd.

Brown Shipley Tst. Co. (Jersey) Ltd.

Butterfield Management Co. Ltd.

CAL Investments (IoM) Ltd.

Capdirex S.A.

Capital Asset Managers Ltd.

Capital International Fund S.A.

Charterhouse Japhet

Charterhouse Japhet Currency Mngt. Ltd.

Clariden Commodities (Isle of Man) Ltd.

Cornhill Ins. (Guernsey) Ltd.

Cortexa International

Craigmount Fixed Int. Mngrs. (Jersey)

DWS Deutsche Ges. F. Wertpapiersp

Delta Group

Deutscher Investment-Trust

Drexel Burnham Lambert

Dreyfus Intercontinental Inv. Fd.

Duncan Lawrie Inv. Mgt. (C.I.)

Emson & Dudley Tst. Mgt. Jrsy. Ltd.

The English Association

Ermitage Management Ltd.

Eurobond Holdings N.V.

S.G. Europe Obligations S.A.

Eurotax Investments Ltd.

F & C Mgmt. Ltd. Inv. Advisers

Fidelity International

Fleming Japan Fund S.A.

Frankfurt Trust Investment—GmbH

Free World Fund Ltd.

G. T. Management (U.K.) Ltd.

Gartmore Invest. Ltd. Ldn. Agts.

Gartmore Fund Managers (IOM) (a)

Assicurazioni GENERALI S.p.A.

Grenville Management Limited

Guinness Mahon Int. Fund (Guernsey)

Hambros Pacific Fund Mgmt. Ltd.

Hambros Fd. Mgrs. (C.I.) Ltd.

Henderson Admin. & Man. (Guernsey)

Henderson Baring Group

Hill-Samuel & Co. (Guernsey) Ltd.

Hill Samuel Investment Mgmt. Intl.

H.K. Fund Managers (Jersey) Ltd.

I.C. Trust Managers Ltd.

IGF Management Services Inc.

N.V. Interbeheer

International Bond Trust

International Pacific Inv. Mgmt. Ltd.

Investment Advisers, Inc.

Invicta Investment Management

Jardine Fleming & Co. Ltd.

Scrimgeour Kemp-Gee Mngmt. Jersey

Leopold Joseph & Sons (Guernsey)

Kleinwort Benson Group

Korea International Trust

The Korea Trust

Lazard Brothers & Co. (Jersey) Ltd.

Lloyds Bank (C.I.) U/T Mgrs.

Lloyds Bank International, Geneva

Lloyds Bank International, Guernsey

Louis Dreyfus Commodity Fund

M & G Group

Management International Ltd.

Midland Bank Tst. Corp. (Jersey) Ltd.

Minerals, Oils Res. Shrs. Fd. Inc.

Samuel Montagu Ldn. Agents

Murray, Johnstone (Inv. Adviser)

Nat. Westminster Jersey Fd. Mgrs. Ltd.

Negit S.A.

N.E.L. International Ltd.

Northgate Unit Tst. Mngrs. (Jersey)

Pacific Basin Fund

Phoenix International

Providence Capitol International Ltd.

Quest Fund Man. (Jersey) Ltd.

Reliance/Heinold Commodities

RBC Investment Managers Limited

Ramisco Managers Ltd.

Richmond Life Ass. Ltd.

Rothschild Asset Management (C.I.)

Save & Prosper International

Schroder Mngt. Services (Jersey) Ltd.

J. Henry Schroder Wagg & Co. Ltd.

Schroder Unit Trust Mgrs. Int. Ltd.

Scrimgeour Kemp-Gee Mngmt. Jersey

Sentry Assurance International Ltd.

Signal Life Assurance Co. Ltd.

Singer & Friedlander Ldn. Agents.

Strategic Metal Trust Mngrs. Ltd.

Stronghold Management Limited

Surinvest (Jersey) Ltd.

TSB Trust Funds (C.I.)

Tokyo Pacific Holdings N.V.

Tokyo Pacific Hldgs. (Seaboard) N.V.

Tyndall Group

M. G. Tyrrell & Co. (Jersey) Ltd.

Union-Investment-Gesellschaft mbH

V.C.A. Financial Management Ltd.

Vanbrugh Fund Mngmt. Intl. Ltd.

S. G. Warburg & Co. Ltd.

Warburg Invest. Mngt. Jrsy. Ltd.

Wardley Investment Services Ltd.

World Wide Growth Management

Wren Commodity Management Ltd.

NOTES

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1982 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
98⅞	95⅜	Exch. 9¼pc 1982	98⅞	......	9.36	13.24
98⅛	94⅝	Exch. 8¼pc 1983	98⅜xd	......	8.89	11.88
95¾	91	Exch. 3pc 1983	94¾	......	3.17	12.18
99½	95¼	Treasury 12pc 1983‡‡	99⅛	......	12.08	12.76
93	92⅞	Treasury 9½pc '83	97½xd	-⅛	9.49	11.83
102	96⅞	Exch. 13½pc '83	101⅛	-⅛	13.35	12.54
98⅛	91⅞	Exch. 10pc 1983	97½	-⅛	10.26	11.87
94½	87⅜	Funding 5½pc '82-84‡‡	94¼xd	-¼	5.84	9.51
98⅓	91⅞	Exch. 11¼pc 1984	97⅝	-¼	11.52	12.81
102⅞	96¾	Exchequer 14pc 1984	101½	-¼	13.79	13.06
89½	81⅛	Exch. 3pc 1984	89xd	-¼	3.37	9.14
98½	91½	Treasury 12pc 1984	97½	-¼	12.31	13.23
104½	96¾	Treasury 15pc 1985	103½	-⅛	14.49	13.36
98⅜	89½	Exch. 12pc Cnv. '85	97¼	-⅛	12.34	13.17
83	73½	Treasury 3pc 1985	83	......	3.61	9.82
97¼	87½	Treasury 11½pc 1985	96½xd	-⅛	11.92	12.94
96⅞	88⅝	Exch. 12¼pc 1985	97½	-⅛	12.56	13.15
96¼	86⅛	Exch. 11¾pc '86	95½	-⅛	12.30	13.30
79	69	Treasury 3pc 1986	78¾	......	3.81	9.63
97¼	86¼	Treasury 12pc '86	96½	-⅛	12.44	13.15
90½	80⅞	Treasury 8¼pc '84-86‡‡	89¼xd	-¼	9.47	11.73
30⅛	29½	Treas. 12¾pc '86 (£30pd)●	29½	-½	12.60	13.15
102⅞	91⅞	Exch. 14pc 1986	101½	-½	13.79	13.51
103⅞	90	Exch. 13¼pc 1987	99½xd	-½	13.32	13.41
82½	73⅜	Funding 6½pc '85-87‡‡	81½	-¼	7.98	11.57

Five to Fifteen Years

1982 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
73⅝	64½	Treasury 3pc 1987	73⅝	+⅛	4.06	9.65
98¼	85⅞	Treas. 12pc 1987	95⅛	-¼	12.82	13.54
95⅛	72½	Treasury 7¾pc '85-88‡‡	84¾	-⅛	9.48	12.21
68⅜	60⅛	Transport 3pc '78-88	68½xd	-¼	4.40	10.17
94	79⅞	Treasury 11½pc 1989	92½	-⅜	12.94	14.11
68	62⅞	Treasury 5pc '86-89	67⅜	-¼	7.52	11.99
101½	85⅞	Treasury 13pc 1990‡‡	94⅞xd	-⅜	13.67	14.08
96⅓	85⅝	Exch. 12½pc 1990	95	-⅜	13.59	14.21
80¼	70⅛	Treasury 8¼pc '87-90‡‡	78½xd	-½	10.52	12.61
93½	77⅞	Treasury 11¾pc 1991	87½xd	-⅜	13.32	14.17
67¼	59⅞	Funding 5¾pc '87-91‡‡	66¾	-⅜	8.17	12.24
89⅛	76⅞	Exch. 11pc 1991	85½	-⅜	13.12	14.14
99½	81⅞	Treasury 12¾pc '92‡‡	92xd	-⅜	13.68	14.07
84½	70	Treasury 10pc 1992	83	-½	12.53	13.84
95¼	80⅞	Exch. 12¼pc '92	93⅜	-½	13.67	14.18
101¼	88⅝	Exchequer 13½pc '92	99⅜	-⅝	14.04	14.20
97¾	80⅜	Treasury 12½pc '93‡‡	90¾xd	-½	13.70	14.09
64¼	56¼	Funding 6pc 1993‡‡	63¾	-½	9.73	12.39
104	88	Treasury 13¾pc 1993‡‡	98⅞	-½	14.05	14.10
108	91⅝	Treasury 14½pc '94‡‡	106⅛	-½	14.24	14.16
101½	86¼	Exchequer 13½pc 1994	97⅞	-½	14.07	14.20
96½	80⅛	Exch. 12½pc 1994	94¾	-½	13.77	14.10
78⅓	66⅜	Treasury 9pc '94‡‡	75⅛	-½	12.11	13.25
94¼	76½	Treasury 12pc '95	92½	-⅝	13.67	14.09
47⅓	42⅝	Gas 3pc '90/95	45½	-¼	6.65	11.12
84¾	68½	Exch. 10¼pc 1995	78⅝xd	-½	12.93	13.71
99⅞	83¼	Treasury 12¾pc '95‡‡	94⅜	-⅝	13.68	13.86
106⅝	86¼	Treas. 14pc '96	98¾xd	-½	14.05	14.06
76¼	65⅝	Treasury 9pc '92/96‡‡	75½	-½	12.30	13.24
114¾	96	Treasury 15¼pc '96‡‡	108¾	-½	14.28	14.10
102⅞	86	Exchequer 13¼pc '96‡‡	97⅜	-½	13.78	13.87
47	43⅝	Redemption 3pc 1986-96	46¼	-¼	6.58	10.38
103½	83½	Treasury 13¾pc '97‡‡	95½xd	-½	13.70	13.78
65⅝	69⅝	Exchequer 10½pc 1997	84⅛	-½	13.00	13.54

Over Fifteen Years

1982 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
75	64	Treasury 8¾pc 1997‡‡	73¼	-½	12.30	13.28
110⅞	94¼	Exch. 15pc 1997	107⅞	-⅝	14.19	14.06
64	54½	Treasury 6¾pc '95-98‡‡	60¼	-½	11.28	12.68
114¾	99½	Treas. 15½pc '98‡‡	112⅞	-½	14.16	13.98
94¼	78¼	Exch. 12pc 1998	90	-⅜	13.48	13.68
80⅝	66	Treasury 9½pc 1999‡‡	75¾xd	-⅜	12.53	13.11
95⅓	81¼	Exch. 12¼pc 1999	93¼	-½	13.55	13.71
85⅓	71⅛	Treasury 10½pc 1999	81⅞	-⅝	12.96	13.35
102¾	82¼	Treas. 13pc 2000	95½xd	-½	13.53	13.60
107	89	Treas. 14pc '98-01	102⅛	-½	13.85	13.74
96¼	76½	Exch. 12pc '99-02	88⅝xd	-½	13.37	13.51
107¼	85⅞	Treas. 13¾pc 2000-03	105½	-⅛	13.74	13.74
92¼	78¼	Treasury 11½pc '01-04	90	-⅝	13.20	13.31
38	33¼	Funding 3½pc '99-04	35⅜xd	-¼	9.82	11.70
99⅜	81⅝	Treasury 12½pc '03-05	94¾	-⅝	13.19	13.36
68¼	59⅞	Treasury 8pc '02-06‡‡	67	-½	12.24	12.59
95⅝	75⅞	Treasury 11¾pc 03-07	87⅞xd	-½	13.21	13.28
106	90	Treas. 13½pc '04-08	103⅞	-½	13.40	13.37
50¼	44¼	Treasury 5½pc '08-12‡‡	48⅞	-½	11.61	12.00
67⅛	55⅝	Treasury 7¾pc '12-15‡‡	65⅞	-⅜	12.33	12.47
98	81⅛	Exch. 12pc '13-'17	93½	-⅝	12.86	12.87

Undated

1982 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
33	27⅛	Consols 4pc	32½	-⅛	12.90	—
30¼	26⅜	War Loan 3½pc‡‡	28⅝	-⅛	12.41	—
34¼	31½	Conv. 3½pc '61 Aft.	33½	-⅛	10.73	—
23⅞	21	Treasury 3pc 66 Aft.	23½	-⅛	13.11	—
20⅝	17¾	Consols 2½pc	19⅞xd	......	12.51	—
20⅛	17⅝	Treasury 2½pc	19⅞	......	12.93	—

Index-Linked & Variable Rate

1982 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
100⅛	99⅞	Treas. Variable '83	100¼	......	12.67	12.53
97¼	95	Do. 2pc I.L. '88	97¾	......	2.05	2.69
106	93	Do. 2pc I.L. '96	99⅞	......	2.32	2.99
101½	86⅛	Do. 2pc I.L. '06	93⅜xd	......	2.37	2.84
104	90	Do. 2½pc I.L. 2011	96	......	2.65	2.84

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

1982 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
100	92¾	Finland 14½pc Ln 1986	99¼	......	14.61	14.72
99	93½	Int. Bank 5pc '77/82	98½	......	5.06	13.85
99½	90¾	Do. 13½pc Ln 1986	98½xd	......	13.71	13.98
30⅞	27½	Do. 14pc Ln '87 (£30pd)	30	+¼	14.07	14.14
101¼	94⅞	Mex 16½pc 2008	96	......	18.12	18.95
99	90¼	Sweden 13½pc 1986	97¼xd	-¼	13.81	14.24

CORPORATION LOANS

1982 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
93½	85	Bath 11¼pc 1985	93¼	-¼	12.06	13.77
97½	89¼	Birm'ham 12½pc 1985	97	-¼	12.89	13.72
99⅞	87	Burnley 13pc 1987	97½xd	-¼	13.33	13.69
91½	81¾	Cardiff 11pc 1986	91½	+¼	12.02	13.62
100	94¾	G.L.C. 12½pc '83	99¼	-⅛	12.59	13.23
100	94⅝	Do. 13¼pc 1984	99¾	-⅛	13.28	13.39
100	94¾	Glasgow 9¼pc '80-82	98⅞	+⅛	9.35	12.20
79	67½	Herts 6¾pc 1985-87	78¾xd	......	8.79	13.09
96¼	85	Leeds 13½pc 2006	97xd	-½	14.33	14.34
94	87½	Liverpool 9¼pc '80-84	94	......	10.37	13.37
26	21½	Do. 3½pc Irred.	23¼xd	-¼	12.06	—
100½	95½	Lon. Corp. 13¼pc '83	99¾	-¼	13.28	13.39
90½	82¾	Do. 9¼pc '84-85	89¾	......	10.31	13.15
87¾	78⅞	LCC 5½pc '82-84	87¼	+⅛	6.30	12.63
75¼	64¼	Do. 5½pc '85-87	75	......	7.33	12.35
68½	56	Do. 6¾pc '88-90	67½	......	9.93	13.35
22½	19½	Do. 3pc '20 Aft.	21	......	14.62	—
97½	90¼	Sunderland 12¼pc 1984	97½	......	12.56	13.41

COMMONWEALTH AND AFRICAN LOANS

1982 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
92	85¼	Aust. 6pc 1981-83	91¾	+¼	6.56	12.51
67	57	N.Z. 7¼pc 1988-92	64¼xd	-¼	11.23	13.89
86	74¾	Do. 7½pc '83-86	84¼xd	-¼	8.90	12.62
161	136	S. Rhod. 2½pc Non-Ass.	159	......	—	—
66	58	Do. 3½pc 80-85 Asstd.	65	......	5.46	18.00
41	32	Do. 4½pc 87-92 Asstd.	40xd	......	11.31	17.60
372	318	Zimbabwe Ann (£100pa)	357	-3	20.61	20.89

LOANS

Public Board and Ind.

1982 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
66	57¾	Agric. Mt. 5pc '59-89	62¾	-¼	7.94	13.24
29¾	24¼	Met. Wtr. 3pc 'B'	29½	......	10.47	13.00
114	103	U.S.M.C. 9pc 1982	109xd	......	8.49	—
101½	94	Do. without Warnts.	99xd	......	9.09	—

LOANS—Continued

Financial

Building Societies

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

BANKS AND HIRE PURCHASE

BANKS & H.P.—Cont.

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

CHEMICALS, PLASTICS—Cont.

DRAPERY AND STORES

ELECTRICALS

ENGINEERING MACHINE TOOLS

ENGINEERING—Continued

FOOD, GROCERIES, ETC.

FOOD, GROCERIES—Cont.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INSURANCE

LEISURE

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc.

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

MINES—Continued

Central African

Australian

Tins

Copper

Miscellaneous

[illegible]	20	Anglo-Dominion ..	22	......	—	—	—
[illegible]	13	Burma Mines 10p	13	......	0.55	1.8	6.0
[illegible]	35	Colby Res. Corp. ..	55	......	—	—	—
[illegible]	190	Cons. Murch. 10c.	190	......	$260c	1.9	‡
[illegible]	5	‡‡Explaura Gold..	5	......	—	—	—
[illegible]	65	Highwood Res.	65	−5	—	—	—
[illegible]	165	Northgate C$1	175	......	—	—	—
[illegible]	369	R.T.Z.	369xd	−6	16.0	2.1	6.2
[illegible]	£90	Do. 9½% Cu. Ln. 95-2000	£90xd	......	Q9½%	30.8	[illegible]
[illegible]	12	Sabina Inds. C$1 .	12	......	—	—	—
44	27	‡Southwest C. 10p.	34	......	—	—	—
500	270	Tara Exptn. $1	330	+10	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- φ Figures or report awaited.
- ⊕ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 163(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1983-84. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1982. K Figures based on prospectus or other official estimates for 1981-82. M Dividend and yield based on prospectus or other official estimates for 1983. N Dividend and yield based on prospectus or other official estimates for 1982-83. P Figures based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL AND IRISH STOCKS

The following is a selection of regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv. 20p	40	......	**IRISH**		
Bertrams	17φ	......	Conv. 9% '80/82	£97¾	......
Bdg'wtr. Est. 50p	418	......	Nat. 9¾% 84/89	£71½	−⅛
Craig & Rose £1	£12½	......	Fin. 13% 97/02	£74¾	−¼
Finlay Pkg. 5p	26	......	Alliance Gas	83	+3
Graig Ship. £1	£26	+1	Arnott	195	−5
Higsons Brew	98	......	Carroll (P.J.)	71xd	......

OPTIONS

3-month Call Rates

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 39

FINANCIAL TIMES
Friday June 18 1982

MoD plea on Falklands costs

BY PETER RIDDELL, POLITICAL EDITOR

THE Ministry of Defence will seek the Cabinet's agreement within the next few weeks to provide separately for the cost of the Falklands operation, including garrisoning and the replacement of lost ships and aircraft.

This is on top of the existing commitment to a 3 per cent real growth in defence expenditure annually.

There are clear indications of strong Treasury resistance to this plan, however.

The ministry is believed to be confident of obtaining such agreement and appears to want an early decision rather than the later one favoured by the Treasury.

The ministry would thus take advantage of the current climate of support for defence matters, not least from the Prime Minister.

In spite of sepculation at Westminster and in the Press about the future of Mr John Nott, Defence Secretary, all the signs are that he wishes to remain in his post for some time. In particular he would wish to defend his controversial policy announced last year, especially against advocates of a large surface fleet.

No decision has yet been reached about publication of the defence White Paper which has been held back by the crisis. But the balance within the ministry seems to be shifting towards publication within the next few weeks, possibly around the end of the month, since the document is largely a summary of past events with no new policy. It is likely to contain a short reference to the crisis.

An internal ministry review by scientists and other specialists of the operations of military equipment during the recent weeks will be completed by the late autumn.

The Ministry of Defence's main arguments are likely to be with the Treasury, both over the immediate costs of the operation this year and about the implications for later years, on which decisions will be taken in the autumn. While Mr Nott and his colleagues are understood to be confident about winning approval now, there is some concern about what will happen in later years when the cost of replacing much of the lost equipment and missiles will be incurred.

During Commons questions yesterday, Mr Jock Bruce-Gardyne, the Economic Secretary to the Treasury, gave a hint of the Treasury's likely tough position. He noted that the contingency reserve for the expected items was "not necessarily or exclusively the answer to the total cost of the operations."

The unstated implication was that savings would be sought elsewhere.

Mr Bruce-Gardyne said it was not yet possible to say what the cost of the operations would be, though he stressed that they would be met in ways consistent with the Government's economic strategy and would not be inflationary.

While noting that there had been no cash ceiling on the cost of the operations, he said that the extra cost was only a small proportion of the defence budget of more than £14bn. There would, he said, be no immediate cash problems.

Industrial output remains stagnant

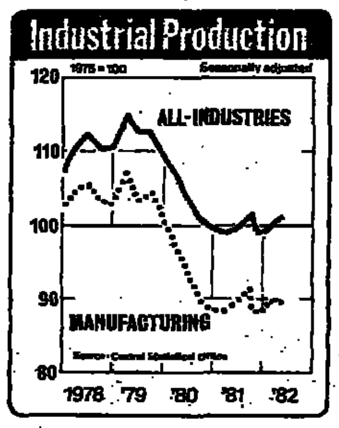
By Max Wilkinson, Economics Correspondent

INDUSTRIAL output remains stagnant except for slightly increased activity in the oil industry, according to yesterday's official figures.

They show that manufacturing production fell by 3 per cent in April compared with the previous month. Output from all industries other than oil was unchanged between February and April, when it was at the same level as at the beginning of 1981.

The index of production for non-oil industries was 90.3

Industrial Production



in April (1975 = 100), slightly below the average for last year and nearly 7 per cent below the 1980 average.

When the oil sector is included, the picture looks brighter. Total industrial output has been rising slowly since the depressed level at the turn of the year, with the index for April at 101.0 (1975=100). This is 1 per cent higher than the average for last year, but still a little below the output reached in October, the best month of 1981.

However, total industrial output is still 12 per cent lower than its highest level, in spring 1979.

The lowest point in the present economic cycle is officially estimated to have occurred in spring last year. Since then recovery has been hesitant and was set back by severe weather and strikes in the winter.

The Treasury and most independent forecasters are expecting the recovery to be renewed this summer to provide an average growth rate this year of about 1 per cent to 1½ per cent compared with 1981.

After allowing for changes in the levels of stocks, the implied level of output in the first three months of the year was slightly lower than in the final quarter of 1981, but 0.8 per cent higher than the average for last year.

THE LEX COLUMN

Cutting plastics down to size

A year ago today, BP announced that it was asking its shareholders for £624m "to ensure that BP will not be inhibited from pursuing profitable opportunities." A portion of those funds found their way into the group's chemicals division, where the results speak for themselves. In the last 12 months for which figures are available, it absorbed £80m of fixed capital and produced losses of just over £200m.

So yesterday's decision to withdraw from PVC production, through closures and a complex deal with ICI, will go some way towards meeting criticisms that abundant profits from Sohio are sheltering the European downstream operations. With a reasonable wind, BP believes that its chemical division could be in the black by the second half of next year.

That may prove optimistic. BP's half of the bargain will leave it with an ICI low density polyethylene plant which must be running a long way short of break-even. Financial information about the deal is sparse but it appears that little cash will change hands. If so, ICI looks to have come out better from the osmosis.

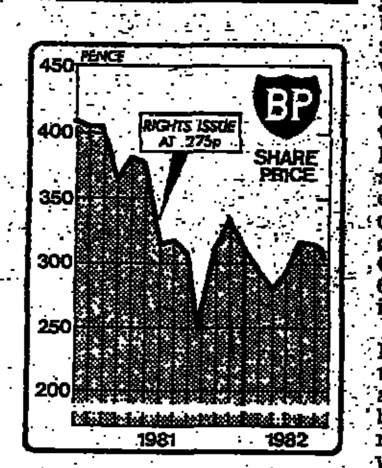
A tpresent, there is little to choose between the misery suffered by European producers of PVC and of LDPE. Both plastics are selling roughly DM 50 per kilo below average production costs, and capacity utilisation is probably about 70 per cent in each case. But PVC, extensively used in the construction industry, seems better placed to benefit from a recovery in demadn.

Moreover, the traditional LDPE market is under attack from the licensing of linear LDPE, in which the know-how of BP and ICI may be some way behind the U.S. competition. Both companies will enjoy a better balance between feed stock and product capacity as a result of the deal but, whereas PVC is central to ICI's product chain, LDPE could become surplus to BP's requirements unless the market recovers. In the meantime, BP will have to absorb closure costs of around £25m and a substantial book loss on the disposal of its PVC plant, commissioned only last August.

Inchcape

In July 1981, the chairman of Inchcape announced that he viewed the future with confidence and that the "group will prosper from better trading as the world economy improves."

Index fell 9.1 to 559.4



Such insouciance now looks well ahead of the game given the accelerating pace of decline in the company's pre-tax profits last year: down 3 per cent in the first half and 13 per cent in the second. And the outcome of £65.7m, down £5.4m, has been boosted by about £10m from *the weakness of sterling*. So the underlying decline is 22 per cent or so. On top of this, the latest chairman's statement reflects a markedly changed tone: "1982 is proving to be a more difficult year than 1981." The shares fell 23p yesterday, to 270p, and have discarded their (briefly-held) recovery status, being 27 per cent below their level earlier in the year.

The over-dependence on motor vehicle distribution—which produced more than half total profits in 1980—has come home to roost with a vengeance. Profits here are down from £37.4m to £13.8, and returns from the Toyota distributorships in Malaysia and Singapore must have collapsed to negligible levels after attributing interest. At least it should not prove hard to replace the contribution from the Malaysian distributorship, now being sold.

In Africa there has been a £3.3m turnround into loss, mainly due to problems in the BL business in Nigeria. Australia has been a brighter spot, but the mining service businesses here are unlikely to improve further this year. The shares yield 10 per cent.

English China Clays

English China Clays continues to generate the profits improvement which began to show through so markedly in the second half of last year, and in the first six months to March pre-tax profits have improved by 30 per cent to £19.4m. Of the £4.5m increase, some £3.5m has been achieved in the clay division, where despite difficult weather conditions during the winter the benefits of the cost-cutting drive have continued to come through. The work force has declined by nearly a fifth since 1979, and in recent months export volume has shown growth on a year earlier, though UK demand remains depressed. Overall, ECC is heading for a 6 per cent increase in output in the year to September.

A relatively strong dollar has limited the level of U.S. competition in the European market, and the second half-year will benefit from the export price rises (of 9 per cent on average) which came into effect in April. Meanwhile there are signs of positive trends in the quarrying and housebuilding division. The leisure business, recently expanded through the deal with Guinness, claims an improvement in bookings, though conditions remain difficult.

In terms of growth prospects for the full year, a good deal depends on whether ECC can repeat the bumper September of 1981. With luck it will get near £50m pre-tax, against £41.7m, and at 167p the prospective yield is at least 6.5 per cent, backed by strong cover.

Dawson International

For the past week or so Dawson's shares have been riding comfortably above the weakness of the market. And the pre-tax profit of £23.6m for the year to March is not only fractionally above external forecasts, but owes rather less than had been expected to interest received. A profit increase of over 14 per cent seems to prolong Dawson's recession-proof run.

Yesterday's reaction in the shares, which fell 6p to 126p, reflects a degree of nervousness about the outlook. European sales of knitwear in the first quarter are apparently running below those for 1981 in volume, suggesting pressure on gross margins later on.

Dawson should nevertheless make modest progress this year, if only by banking the cash received for the spinning and knitting party of Haggas. And in the longer term its dominant position in cashmere yarn and strongly branded knitwear should keep earnings moving ahead. The yield of 7 per cent is just over twice covered on a current cost basis.

France aims for price and wage limits after freeze

By David Housego in Paris

THE French Government wants wage and price rises limited to 10 per cent this year and 8 per cent next, following the four-month wage and price freeze imposed until October, it said yesterday.

The targets were announced by M Pierre Mauroy, the Prime Minister, at the critical tripartite meeting called by the Government with trade unions and employers to win support for its prices and wages policy. They represent a sharp reduction on the present 14 per cent inaftion rate.

Although trade unions and employers agreed with the Government on the need for anti-inflationary measures, they were sharply at odds over the means.

The centrist union, Force Ouvriere, expressed strong opposition to the four-month wage freeze.

M Andre Bergeron, leader of the union, which has a strong following in the Civil Service, said after the meeting that his union had expressed "very serious reservations" over the wages freeze. Employees who had not had wage increases for a long time would be penalised and would want to catch up at the end of the freeze.

By contrast, the Communist-led CGT union (the largest in the country) was more restrained in its criticism of the freeze and called for stronger measures to enforce price controls. The Communists are in the difficult dilemma of wanting to remain in the coalition government while responding to the hostility of their members to the wages freeze.

It was clear at the meeting that major problems will arise in negotiating a phased evolution of prices and wages after the four-month period.

M Mauroy warned that at the end of the freeze there should not be a "brutal" rise in wages that would destroy its impact. None the less, the Government remained committed to the principle of free collective bargaining.

Employers' hostility to the prices freeze was not diminished by the prime minister's announcement of stricter targets for increases in dividend payments. He said these should not rise by more than 8 per cent during this year and next.

He called on the private sector, which accounts for 75 per cent of industrial production, to make a fresh investment effort. This was most expected in sectors whic hhad benefited much from government assistance — electronics, machine tools, textiles and capital goods industries.

CGT rejects wage claim, Page 3

Reagan calls on Soviet Union for more trust over arms control

BY OUR UN CORRESPONDENT

PRESIDENT REAGAN yesterday appealed to the Soviet Union to join the U.S. in trying to increase their mutual confidence, and called on the United Nations to support the endeavour.

The need for greater trust between the super-powers in efforts towards arms control and disarmament was a principal theme of Mr Reagan's address in New York to the Special Session on Disarmament, his first appearance before the UN.

He ignored President Leonid Brezhnev's pledge, delivered to the UN on Tuesday by Mr Andrei Gromyko, the Soviet Foreign Minister, that Moscow would not be the first to use nuclear weapons in war. Much of Mr Reagan's address was a reiteration of his attacks on Soviet policies.

There was conclusive evidence, he claimed, that the Soviet government had provided chemical agents, or toxins, for use in Laos and Kampuchea, and was itself using chemical weapons in Afghanistan.

"We have repeatedly protested to the Soviet Government, as well as to the Governments of Laos and Vietnam (about) their use of chemical and toxin weapons," Mr Reagan said.

"We call upon them now to grant full and free access to their countries, or to territories they control, so that UN experts can conduct an effective, independent investigation to verify cessation of these horrors."

In his address to the General Assembly three days ago, Mr Gromyko had rejected the charges, calling them "absurd tales," with "too obvious a trademark to allow those who are peddling it to capitalise on it." Mr Gromyko said those who made the charges were "attempting to conceal their own notorious sins in that respect."

In his speech yesterday, Mr Reagan proposed an international conference to develop a common system to tabulate and report military expenditure.

"We urge the Soviet Union, in particular, to join this effort in good faith, to revise the universally discredited official figures it publishes, and to join with us in giving the world a true account of the resources we allocate to our armed forces," the President said.

He said he had directed an exploration of ways to increase understanding and communication between the U.S. and the Soviet Union, both in times of peace and in crisis. The U.S. would approach the USSR, he said, with proposals for reciprocal exchanges in such areas as advance notification of big strategic exercises that otherwise might be misinterpreted; advance notification of intercontinental ballistic missile launches within and beyond national boundaries and an expanded exchange of data on strategic forces.

Regular sharing of information would represent a qualitative improvement in the strategic nuclear environment and would help reduce the chance of misunderstandings, the President said.

"I call upon the Soviet Union to join the U.S. in exploring these possibilities to build confidence and I ask for your support of our efforts," Mr Reagan told his audience. The listeners included Mr Menahem Begin, the Israeli Prime Minister, with whom he will confer in Washington on Monday.

Bomber costs rise, Page 5
Editorial Comment, Page 22

MPs' report urges draft Budget

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

RADICAL CHANGES to allow widespread discussion of proposed changes in taxation and expenditure before the Budget were urged yesterday by an all-party committee of MPs.

In its sixth report, the Treasury and Civil Service Committee proposed that the Government should publish a draft, consultative Budget in the autumn setting out main proposals for taxation and spending in the following year.

This would allow discussion of the Government's economic strategy before the final version of the Budget was presented to Parliament the following spring.

Under present practice, the main spending decisions are announced at the end of November, but the tax changes required to finance them are kept secret until the main Budget.

The committee says this practice is out of line with that in nearly all other Western democracies: The example of those countries shows that more extensive information on expenditure plans and on revenue proposals could be provided in the autumn.

Mr Edward du Cann, the committee's chairman, said the publication of a "Green" Budget would be a major parliamentary event and would set in train an important set of new procedures for monitoring the executive.

The committee wanted a radical change to allow MPs greater influence in framing Budget strategy, although responsibility for framing the final Budget would remain with the Chancellor of the Exchequer.

Mr du Cann thought the proposals would gain widespread acceptance from MPs, although further work was necessary on the parliamentary procedures needed for discussing any new consultative Budget.

He believed that the proposed system could be implemented by 1985. "I would be profoundly disappointed if we did not get major changes as a result of this report," he said.

Treasury and Civil Service Committee Sixth Report, Budgetary Reform, SO, £10.90.

MPs call for more debate, Page 8

Plastics industry

Continued from Page 1

closures. The company, which suffered an operating loss of £194m last year, and of a further £46m in the first three months of this year, will shut three plants at Baglan Bay in South Wales, cutting 500 jobs. The three plants produce chlorine, ethylene dichloride and vinyl chloride monomer, all of which are associated with the manufacture of PVC.

BP will also shut three PVC units at Barry in South Wales, shedding 600 jobs. The company yesterday put the cost of the closures and redundancies at about £25m, but said the total cost, including write-offs, would be far higher—although "under £100m."

ICI lost £54m on its petrochemicals and plastics business last year. It puts its closure and redundancy costs at between £5m and £10m for the new restructuring, which includes shutting low-density polyethylene capacity at Wilton on Teesside. Jobs lost there, including cuts among support staff, will total 700.

But BP Chemicals' modern PVC plant at Barry—opened only last year and with a capacity of 90,000 tonnes a year—is to remain in operation and will be transferred to ICI. In return, ICI will hand over its eight-year-old low-density polyethylene plant at Wilton, with capacity of 70,000 tonnes a year, to BP Chemicals.

ICI emphasised last night that it was only pulling out of polyethylene in the UK. It will continue to produce low-density polyethylene (LDPE) on the Continent.

Till now, ICI and BP Chemicals have had a 50 per cent share each in Europe's most modern ethylene plant, at Wilton, which has a capacity of 650,000 tonnes a year. Ethylene is the building block of the petrochemical industry, used to make plastics, among other things.

Through the restructuring ICI's share of the Wilton plant will go up to 80 per cent. The group will then shut another, older ethylene plant, of 450,000 tonnes-a-year capacity, it has at Wilton.

The deal has been submitted to the Office of Fair Trading, which has not yet responded.

Neither company would say yesterday whether cash would change hands in the deal. But it is thought that the exchange, which BP and ICI have been discussing for four months, will not involve substantial payments by either side. The swap of product portfolios has been strongly advocated by ICI as a way to ease over-capacity in petrochemicals and plastics — for individual companies and for the whole Western European industry.

The initial reaction of industry experts last night was that ICI was likely to gain more from the deal than BP Chemicals. However, Mr Robert Horton, managing director of BP Chemicals, insisted that the balance of advantage between the two companies was "very finely drawn."

He said BP Chemicals would be able to load fully all its ethylene and polyethylene plan plants as a result of the deal.

Continued from Page 1

Pound

everything continued to argue in favour of a continuing strong dollar.

The Federal Reserve finally entered the overnight Fed Funds Market yesterday with system repurchase orders which supply reserves to the market and push interest rates down. But despite the Fed's intervention, Federal funds were still trading in a range of 14½ per cent and 14¾ per cent compared to an average 13¾ per cent last week.

One foreign exchange dealer said the dollar was likely to remain firm until there was a reasonable decline in the Fed Funds Rate.

At the same time, the dollar's strength, as with the continuing weakness of the bond market, reflects market expectations of further increases in the weekly money supply in the near term. The market estimates a rise of between $1bn to $2bn in M1 this Friday.

Prisoners

Continued from Page 1

sent Argentine interests in London they will not guarantee safe passage to any Argentine port.

They also appear to have turned down Britain's second choice, of sending the prisoners to the Chilean port of Puntas Arenas. Unlike Comodoro Rivadavia, this is deep enough for the Canberra to unload the prisoners directly and quickly.

Instead, the Argentines wish Britain to send the prisoners on the 2½ to 3 day journey to Montevideo, the Uruguayan capital, also a shallow port. This is how most previous Argentines have been repatriated.

Britain has been allowing two Argentine hospital ships to run a shuttle service between the Falkland Islands and the mainland to carry the sick and wounded, but these cannot be used to transfer fit prisoners.

But Britain may well decide to continue what officials believe is its most effective sanction, the total exclusion zone for shipping and aircraft which it has imposed in the south Atlantic up to 12 miles off the Argentine coast. The imposition of this zone has caused insurance companies to charge war premiums for trade with Argentina, adding significantly to the economic pressure on the junta.

Weather

UK TODAY

SUNNY intervals with showers, some thunder.

N.E. England, Borders, N.E., W. Scotland
Cloudy with fog or rain. Max 15C (59F).

Central and N. Scotland
Dry with sunny intervals. Max 13C (55F).

Rest of UK
Outbreaks of rain with thunder, sunny intervals later. Max 17C (63F).

Outlook: Unsettled.

WORLDWIDE

	Y'day midday	°C	°F		Y'day midday	°C	°F
Ajaccio	S	24	75	L. Ang.†	R	15	59
Algiers	S	34	93	Luxmbg.	F	18	64
Amsdm.	C	16	59	Luxor	S	39	103
Athens	S	25	77	Madrid	S	30	86
Bahrain	S	33	91	Majorca	S	33	91
Barclna.	S	25	77	Malaga	S	29	84
Beirut				Malta	S	26	79
Belfast	F	15	59	M'chstr.	F	18	64
Belgrd.	F	22	72	Melbne.	C	17	63
Berlin	C	15	59	Mx. C.†			
Biarritz	S	32	90	Miami†	R	27	81
Bmghm.	C	19	66	Milan	F	25	77
Blackpl.	F	21	70	Montrl.†	F	14	57
Bordx.	R	29	84	Moscow	C	11	52
Boulgn.	F	22	72	Munich	F	20	68
Bristol	F	22	72	Nairobi	F	23	73
Brussels	F	17	63	Naples	F	23	73
Budpst.	C	16	61	Nassau			
Cairo	S	31	88	Nwcstl.	C	13	55
Cardiff	F	17	63	N. York†	C	15	59
Cas'b'ca	C	22	72	Nice	F	22	72
Cape T.	F	22	72	Nicosia	S	26	79
Chicg.†	C	17	63	Oporto	C	17	63
Cologne	F	17	63	Oslo	F	16	61
Cphgn.	C	17	63	Paris	F	21	70
Corfu	S	25	77	Perth	R	12	54
Denver†	C	13	55	Prague	C	14	57
Dublin	F	15	59	Reykjvk.	F	15	59
Dbrvnk.	S	23	73	Rhodes	S	25	77
Edinbgh.	F	15	59	Rio J'o†			
Faro	S	25	77	Rome	F	24	75
Florence	C	24	75	Salzbrg.	C	16	61
Frankft.	S	17	63	S'Fraco†	[illegible]	[illegible]	[illegible]
Funchal	S	22	72	S. Moritz	[illegible]	[illegible]	[illegible]
Geneva	S	23	73	Singapr.	[illegible]	[illegible]	[illegible]
Gibraltar	S	24	75	S'tiago†	[illegible]	[illegible]	[illegible]
Glasgow	F	16	61	Stckhm.	F	16	61
G'msey	F	20	68	Strasbg.	F	20	68
Helsinki	F	7	45	Sydney	S	16	61
H. Kong	F	31	88	Tangier	C	22	72
Innsbrk.	S	23	73	Tel Aviv	S	25	77
Invrnss.	S	13	55	Tenerife	F	25	77
I.o.Man	S	15	59	Tokyo	F	25	77
Istanbul	S	23	73	Toronto†	F	22	72
Jersey	F	23	73	Tunis	S	33	91
Jo'burg	S	16	61	Valencia			
L. Pims.	F	23	73	Venice	F	24	75
Lisbon	C	18	64	Vienna	C	15	59
Locarno	S	24	75	Warsaw	F	18	64
London	C	20	68	Zurich	F	20	68

C—Cloudy. F—Fair. R—Rain. S—Sunny.
† Noon GMT temperatures.